



## Authority Meeting

August 18, 2020



## WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY

### *Meeting Agenda*

**YOU ARE HEREBY NOTIFIED** that the Washington Higher Education Facilities Authority will hold a **Special Meeting** at 2:00 p.m. prevailing Pacific Time on Tuesday, August 18, 2020 to consider the items in the agenda below.

Per the Governor's proclamation regarding the Open Public Meetings Act and Public Records Act (Proclamation 20-28) and due to extraordinary public-health circumstances related to the ongoing COVID-19 (coronavirus) outbreak, participation in this meeting will only be offered virtually.

To join virtually, please go to [www.zoom.us](https://www.zoom.us) and enter:

**Meeting ID: 846 7199 3224**  
**Password: 225969**

**Participants using a computer without a microphone who wish to participate verbally, please dial: 1-(888) 788-0099 U.S. toll-free**

*Please note that the line will be muted to the public except during the public comment portions of the meeting.*

Jay Inslee,  
Governor  
Chair

David Schumacher,  
Director, Office of  
Financial Management,  
Governor's Designee

Jerome Cohen,  
Public Member  
Secretary

Cyrus Habib  
Lieutenant Governor

Michael Meotti  
Executive Director,  
Student Achievement  
Council

Dr. Roy Heynderickx  
President,  
Saint Martin's University

Claire Grace,  
Public Member  
Treasurer

Dr. Gene Sharratt  
Public Member

Steve Walker,  
Executive Director

**I. CALL TO ORDER: Chair**

**II. APPROVAL OF THE MAY 8, 2020 SPECIAL MEETING MINUTES: Chair** .....

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**III. CONSIDER AND ACT ON THE FOLLOWING ITEMS:**

A. Review and consider approval of staff recommendations regarding selection of financial advisors to be included on the Authority's roster of financial advisors – *Mr. Paul Edwards* .....

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B. Review and consider approval of the current Financial Statement – *Mr. Bob Cook* .....

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**IV. INFORMATION ITEMS**

A. Invoice for Services – *Mr. Bob Cook* .....

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B. Washington Student Achievement Council (WSAC) Update

– *Mr. Michael Meotti, Executive Director, WSAC*

C. Rating Agency Update – <i>Ms. Laura Kuffler Macdonald, Senior Director, S &amp; P Global Ratings, USPF Education Group</i> .....	<b>5</b>
D. Market Update – <i>Mr. Thomas Toepfer, Senior Management Consultant, Public Financial Management, Inc.</i> .....	<b>6</b>
E. Bond Issue Status Report – <i>Mr. Paul Edwards</i> .....	<b>7</b>
F. Executive Director’s Report – <i>Mr. Paul Edwards</i>	
G. Authority Meeting Schedule – <i>Mr. Paul Edwards</i>	
1. November 5, 2020	

**V. PUBLIC COMMENT:** *Chair*

**VI. MISCELLANEOUS BUSINESS AND CORRESPONDENCE** ..... **8**

**VII. EXECUTIVE SESSION** (*if necessary*)

**VIII. ADJOURN**

**TAB 1**

# **Washington Higher Education Facilities Authority**

## **MINUTES**

**May 8, 2020**

Mr. Jerome Cohen, Board Secretary, called the special meeting of the Authority to order at 1:04 p.m. via teleconference.

Mr. Cohen announced that the meeting was being held remotely in order to comply with the State's directive, that it had been determined to be necessary and routine as required by the Governor's order, and that it was being recorded.

Board members present on the line were Lt. Governor Cyrus Habib, Mr. Michael Meotti, Ms. Claire Grace, and Mr. Gene Sharratt. Mr. Allan Belton, President of Pacific Lutheran University, soon to be officially appointed to the board, was also present.

Lt. Governor Cyrus Habib left the teleconference at 2:10 p.m.

Authority staff on the line were Mr. Steve Walker, Executive Director; Mr. Paul Edwards, Deputy Director; Mr. Bob Cook, Senior Finance Director; Ms. Debra Stephenson, Senior Controller; Ms. Carol Johnson, Affiliates Manager; and Ms. Rona Monillas, Program Assistant.

Also present on the line were Ms. Faith Pettis and Ms. Deanna Gregory of Pacifica Law Group, the Authority's bond counsel; Mr. Dan Gottlieb of Hillis Clark Martin & Peterson, the Authority's backup bond counsel; Mr. Michael Nelson II, Assistant Attorney General from the Washington State Attorney

General's Office; Ms. Elizabeth Bergman of Baker Tilly Municipal Advisors; and Mr. Aaron Fong of U.S. Bank Corporate Trust.

Other meeting attendees were Mr. Bob Woodard and Mr. Matt Vickery of the Washington State Housing Finance Commission; representatives from Seattle University: Mr. Andrew O'Boyle, Associate VP for Finance and Investments, Mr. Wilson Garone, VP and Chief Financial Officer; and Mr. Joe Cater, Controller; Mr. John Wendling of UMB Bank, financial advisor to Seattle University; Ms. Terri Standish-Kuon, President and CEO of Independent Colleges of Washington; Ms. Mary Chikwinya, Director of Higher Education to Lt. Governor Cyrus Habib; and Mr. Grant Carwile of SL Capital Strategies.

**Approval of the  
Minutes**

Mr. Cohen asked for a motion to approve the minutes of the meeting held on January 30, 2020. Dr. Sharratt made the motion, and it was seconded by Ms. Grace. The minutes were approved unanimously, 5-0.

**Introduction of the  
New Board Member**

Ms. Johnson introduced and welcomed Mr. Allan Belton. Mr. Belton will be taking over the position that Dr. Roy Heynderickx currently holds once his appointment is finalized.

**Election of Secretary  
and Treasurer**

Mr. Cohen introduced Mr. Walker to discuss the election of Board Secretary and Treasurer. Mr. Walker stated that each year the Board elects a Secretary and a Treasurer. He noted that the past year Mr. Cohen served as Secretary and Ms. Grace served as Treasurer.

Both Mr. Cohen and Ms. Grace agreed to continue in their roles as Secretary and Treasurer if the Board chooses to nominate and re-elect them.

Dr. Sharratt made the motion to re-elect Mr. Cohen as Secretary and Ms. Grace as Treasurer. The motion was approved unanimously, 5-0.

**Approval of Policy  
Revision**

Mr. Cohen introduced Ms. Johnson to present Authority policy revisions. Ms. Johnson stated that the proposed policy change is intended to clarify how Authority issuance fees and contracted finance team fees are calculated on publicly sold bond issues with premium.

Ms. Johnson said that the objective of the policy change is to ensure that all applicable fees will be charged based on the amount of the bond proceeds generated from the sale of the bonds.

Ms. Johnson asked the Board to consider acting on staff recommendations to approve the proposed changes to the Authority Facility Financing Policy Guide, effective immediately. Mr. Meotti made the motion to accept the proposed changes and Ms. Grace seconded the motion. The motion was approved unanimously, 5-0.

**Action Item:  
Approval of  
Resolution  
#20-03  
for Seattle  
University**

Mr. Cohen introduced Ms. Johnson to present staff recommendation for approval of Resolution No.20-03.

Ms. Johnson stated that the board is considering a proposed issuance of tax-exempt revenue bonds for Seattle University in an amount not to exceed \$75,000,000.

Ms. Johnson gave a brief summary of the transaction. She said that the bonds were rated “A” with a negative outlook by Standard & Poor’s (S&P).

Ms. Johnson stated that a public hearing for this transaction will be held on May 15, 2020. She added that the Authority was unable to conduct a public hearing prior to the board meeting due to the Governor’s proclamation prohibiting public gatherings due to COVID-19 and the IRS’ public hearing requirements for in-person testimony. She reported that the IRS recently

issued temporary guidance that allows public hearings to be conducted via teleconference or other internet-based meeting technology.

Mr. O'Boyle thanked the Authority and gave a detailed description of the project. He added that they are excited to open the project next year.

Mr. Cohen inquired about the campus maker space. Mr. O'Boyle said that it is an open space where students can be creative, develop their ideas and make them real. He added that 3D printers will be available in this space.

Mr. Wendling, the University's financial advisor, presented the financing details of the project.

Ms. Grace commended the University for the reaffirmation of their "A" rating despite the uncertainties of the current market and COVID-19.

Dr. Sharratt asked if the University is anticipating additional fundraising and if they are expecting additional capital support for the project. Mr. O'Boyle said that their campaign goal for this project was \$100 million and that they have raised \$96 million. He said that \$90 million will be used for the current project and \$10 million on miscellaneous campus improvements. He added that they are not anticipating additional funds for this project. Mr. O'Boyle said that the overall capital campaign was \$275 million, and they have raised about \$260 million with a year to go.

Dr. Sharratt inquired if the University is planning for additional facilities in the future. Mr. O'Boyle said that they currently are not expecting any. Mr. Wendling added that the University has good flexibility within their budget that will enable them to make choices and contingency plans in the future.



Mr. Cohen asked for a motion to approve Resolution No.20-03. Dr. Sharratt made the motion, and it was seconded by Mr. Meotti. The resolution was approved unanimously, 5-0.

**Action Item:**  
**Approval of**  
**Resolution**  
**#20-04**  
**Authorizing the Use**  
**and Acceptance of**  
**Electronic**  
**Signatures**

Mr. Cohen introduced Mr. Edwards to present Resolution No.20-04.

Mr. Edwards stated the resolution authorizes the use and acceptance of electronic signatures in accordance with RCW 19.360.020 and ESSB 6028 and further authorizes the development of procedures for implementation of the electronic signature policy.

Mr. Cohen asked for a motion to approve Resolution No.20-04. Ms. Grace made the motion. Dr. Sharratt seconded the motion. The resolution was approved unanimously, 5-0.

**Action Item:**  
**Approval of**  
**the Annual**  
**Budget**

Mr. Cohen introduced Mr. Cook to present the proposed annual budget for the fiscal year beginning July 1, 2020 thru June 30, 2021.

Mr. Cook stated that the Authority is expecting two financings next year totaling \$30 million of proceeds. He said that for the six fiscal years prior to the current one, the Authority waived its ongoing annual fee of 6 basis points on bonds outstanding for member schools. He added that Authority staff are recommending that the Authority again waive the annual fee for the upcoming fiscal year to help member schools deal with the impacts of COVID-19.

Mr. Cook presented the Authority's budget summary and workplan for the fiscal year ending June 30, 2021. He asked the board to approve the budget with a proviso that the overhead items in the budget could vary up to 10% due to COVID-19 related items in the Washington State Housing Finance Commission's ("Commission") budget. The addition of these items could affect the allocation of overhead to the Authority.

Mr. Cohen inquired about the amount of the possible increase in the overhead items. Mr. Cook said that the maximum amount would be \$3,000 and only on certain items such as rent, information services, and the like that the Commission bills to the Authority based on the number of FTE's. He added that since the Commission's budget is not yet finished, it will affect the Authority's budget.

Mr. Cohen asked if there is a separate resolution for waiving the annual 6 basis points fee. Mr. Cook said that there is no separate resolution since the fees and fee waiver are reflected in the budget.

Ms. Grace recommended including a written evaluation of the impact of COVID-19 on Authority's programs and processes for this year as a performance measure.

Mr. Cohen asked for a motion to accept the budget for fiscal year 2021 with the proviso that overhead items billed by the Commission can increase by up to 10% above what is currently in the budget, and that there be a performance measure added to the Authority's Business Objectives that evaluates the impacts of COVID-19 on programs and processes. Ms. Grace made the motion and it was seconded by Dr. Sharratt. The motion was approved unanimously, 4-0. Lt. Governor Cyrus Habib left the teleconference at 2:10 p.m. and was not present for this vote or subsequent votes.

**Action Item:  
Review and  
Act on  
Resolution  
#20-02**

Mr. Cohen introduced Mr. Cook to present Resolution No.20-02 authorizing investment of WHEFA funds in the Local Government Investment Pool (LGIP).

Mr. Cook stated that the LGIP resolution has been updated so that the authorization is for named roles rather than named persons. He added that this precludes the need for a new resolution each time there is a change in staff.

Ms. Grace inquired about the LGIP returns on funds invested. Mr. Cook said that the Authority has a smaller reserve amount compared with the Commission. He added that LGIP has been doing well during this low interest environment. Mr. Cook said that LGIP works as a money market investment that is managed by the State Treasurer for municipalities and added that it is better than any money market fund the Authority can get in the marketplace in terms of returns.

Mr. Cohen asked for the motion to approve Resolution No.20-02. Ms. Grace made the motion and it was seconded by Mr. Meotti. The motion was approved unanimously, 4-0.

**Action Item:  
Acceptance of  
the Financial  
Statement**

Mr. Cohen then asked Mr. Cook to present the financial statement for consideration.

Mr. Cook stated that the unaudited financial statement for the period ending March 31, 2020, shows assets of just over \$1.4 million and approximately \$170,000 of liabilities, leaving just over \$1.26 million in net assets. He added that unrestricted revenue was approximately \$572,000. Mr. Cook said that expenses to date are approximately \$291,000, leaving a net position of about \$1.26 million.

Ms. Grace moved the acceptance of the financial statements, and it was seconded by Dr. Sharratt. The motion was approved unanimously, 4-0.

**Invoice for  
Services**

Mr. Cohen then asked Mr. Cook to present the invoice for services. Mr. Cook stated that the invoice from the Commission for January 1, 2020 through March 31, 2020 has been reviewed and approved for payment by the Treasurer, Ms. Grace.

## Market Update

Mr. Cohen introduced Ms. Bergman to present the market update.

Ms. Bergman reported how COVID-19 produces volatility in the market. She said that the higher education bond sale market came back to life with ten deals to date during the COVID-19 period.

Ms. Bergman stated that interest rates on municipal bonds remained low from a historical perspective and added that the market remains favorable despite the disruption in the initial period.

Ms. Bergman reported that the investors are thinking about credits and what kinds of bonds they want to buy. The distinction between essential and non-essential services has increased. She stated that higher education is seen as a high-risk sector.

Ms. Bergman stated that Seattle University's "A" rating affirmation, even with a negative outlook, reflects strong management in this environment. She added that S&P put a negative outlook on over 100 ratings in higher education. Ms. Bergman said that both Moody's Investor Services' and S&P's sector outlooks are negative during the COVID-19 period. They both view higher education as in for a difficult operating environment and they expect more downgrades than upgrades. Narrow liquidity, thin operating margins, and weak enrollment trends are factors making universities most susceptible to negative rating actions.

Dr. Sharratt asked if a university's investment income can be a factor that is susceptible to negative ratings. Ms. Bergman said that even though endowments suffered significant losses over the past months, there is a tremendous amount of uncertainty. Rating agencies are hesitant to jump to conclusions and see losses in endowments as a moment in time.

**Washington  
Student  
Achievement  
Council  
Update**

Mr. Cohen introduced Mr. Meotti to present the Washington Student Achievement Council (WSAC) update.

Mr. Meotti shared WSAC’s work and explained how the agency operates. He said that WSAC recently launched a digital tool to support students. He added that it is a texting tool for College Bound Scholars where they can interact 24/7 and get help filling out financial forms. They also launched a program called College & Career Compass that empowers adults to return to school, earn a credential and advance in their career. Due to the COVID-19 crisis they ramped up a version for high school students as well.

Mr. Meotti said Washington is the only state where the Governor terminated in-person instruction from K-12 to higher education in March. He said that WSAC has been working with the Governor’s office, the Workforce Board, and other sectors on the re-opening of a few limited programs. This plan will allow for clinical programs, not including in-class instruction, to resume this week with social distancing and other protective measures. Mr. Meotti said that the Governor’s Office is convening a group to begin conversations about fall re-opening.

Mr. Meotti said that one of the relevant challenges is that higher education institutions are dependent on auxiliary revenues such as dorm and food services. He said that enrollment was down about 10% - 12% in the Spring quarter.

**Bond Issue  
Status Report**

Mr. Cohen asked Mr. Edwards to present the Bond Issue Status Report.

Mr. Edwards stated that the potential \$7 million refunding for Heritage University presented at the January board meeting has been dropped. He reported that Heritage University has since decided not to pursue a refunding. Instead, the University and the bank have negotiated a change in the terms of

the bond issue. The negotiation will result in a reduced interest rate and relaxed financial reporting, both of which will give the University more flexibility.

Mr. Edwards highlighted that the Authority's total bond issue for 2020 fiscal year will be \$271,180,000 with total estimated Present Value (PV) savings of \$7.54 million.

**Executive  
Director's  
Report**

Mr. Cohen then asked Mr. Walker to present the Executive Director's report.

Mr. Walker announced that the Governor's Office will soon officially appoint Allan Belton, President of Pacific Lutheran University to the WHEFA board, taking over Dr. Heynderickx's position.

Mr. Walker recognized Dr. Heynderickx for his eight years of service as a board member to the Authority.

Mr. Walker acknowledged staff for their work and effort in keeping Authority business on track.

Mr. Walker said that there will be a special session in the State Legislature sometime in late summer.

Mr. Walker reported that the NAHEFFA 2020 Spring Conference in Charleston, South Carolina was cancelled due to COVID-19. He said that the Fall Conference in Milwaukee, Wisconsin is still scheduled on September 16-18.

Mr. Walker gave a summary of relevant articles in the board meeting packet. He added that the next board meetings are scheduled for August 6, 2020 and November 5, 2020.

**Adjournment**

Mr. Cohen adjourned the meeting at 3:00 p.m.

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Mr. Jerome Cohen, Secretary

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Date

TAB 2





1000 Second Avenue, Suite 2700, Seattle, Washington 98104

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## **MEMORANDUM**

**To:** Authority Members

**From:** Carol Johnson

**Date:** August 14, 2020

**Re:** **Summary of Request for Proposals (RFP) Process for Financial Advisory Services**

**CC:** Steve Walker, Paul Edwards, Bob Cook, Debra Stephenson

At least once every two calendar years, the Washington Higher Education Facilities Authority (WHEFA) is required to select finance team members through a competitive process.

We recently completed the RFP process for selection of financial advisors to be on WHEFA's roster of financial advisors. Contracts issued will be for an initial term of two years with three options to extend for a maximum contract term of five years. Our official recommendation and a request to move to contracting will be presented to you at the August 18, 2020 board meeting.

Our current contracts with PFM Financial Advisors LLC and Baker Tilly Municipal Advisors, LLC expire on August 31, 2020.

This memo outlines the RFP process that we followed in accordance with best practices and state law.

### **July 17, 2020:**

- The RFP/solicitation was posted on the State General Administration Database System (Washington's Electronic Business Solution – WEBS) where it was sent to a total of 110 registered subscribers/vendors.
- The RFP/solicitation was published in the Daily Journal of Commerce for two days.
- The RFP/solicitation was posted on our website.
- The RFP/solicitation was mailed and emailed to twenty (20) firms on our financial advisor mailing list.

**July 21, 2020:**

- The RFP was provided to representatives of a free nationwide bid notification website [www.mygovwatch.com](http://www.mygovwatch.com) to post and distribute as they saw fit.

**August 4, 2020:**

- We received five responses as follows:
  1. Baker Tilly Municipal Advisors, LLC
  2. Blue Rose Capital Advisors and Mohanty Gargiulo LLC
  3. Janney Montgomery Scott LLC
  4. PFM Financial Advisors LLC
  5. Wye River Group

**August 7, 2020:**

- An evaluation team consisting of Steve Walker, Paul Edwards, Carol Johnson, Bob Cook, Debra Stephenson, and Rona Monillas reviewed the submitted proposals.
- The evaluation team determined that interviews were not necessary.

**RECOMMENDATION:**

After thorough review of the five submitted proposals, staff is recommending that WHEFA contract for financial advisory services with Baker Tilly Municipal Advisors, LLC, and PFM Financial Advisors LLC.

As you know, both firms are currently on our roster. In addition, Springsted, now Baker Tilly, was the Authority's financial advisor for many years. We have been very pleased with the service that both firms have provided. They have served the Authority well and we would be pleased to continue to work with them.

TAB 3



August 5, 2020

Members

Washington Higher Education Facility Authority  
Seattle, Washington

We have compiled the UNAUDITED Statement of Net Position of the Washington State Higher Education Facilities Authority (the "Authority") General Operating Fund, as of June 30, 2020 and the related statement of Activities and Changes in Net Position for the month ended in accordance with generally accepted accounting principles.

This compilation is limited to presenting, in the form of financial statements, information that is accurate to the best of our knowledge and belief. These statements have not been audited or reviewed by an independent third party.

We have elected to omit substantially all of the disclosures required by generally accepted accounting principles including the statement of cash flow. If the omitted disclosures were included in the financial statements, they might influence the users' conclusions about the Authority's financial position, results of operations and changes in financial position. Accordingly, these financial statements are not designed for those who are not informed about these matters.

Prepared by: Leora Tyau  
Leora Tyau  
Fiscal Analyst 4

Approved by: Shirleen Noonan  
Shirleen Noonan  
General Operations Manager

WASHINGTON HIGHER EDUCATION FACILITIES AUTHORITY  
GENERAL OPERATING FUND

June 30, 2020

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(See Accountant's Compilation Report)

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**Washington Higher Education Facilities Authority**  
**Statement of Net Position**  
**Fund: General Operating Fund**  
**Division: All**  
**June 30, 2020**  
(See Accountant's Compilation Report)

			Variance	
	Current Year	Prior Year	Amount	%
ASSETS				
Cash and Cash Equivalents:				
Demand Deposits	\$ 12,604	\$ 3,126	\$ 9,478	303%
Money Market Accounts	1,328,052	1,028,482	299,570 (1)	29%
Loan Receivable (net)	3,454	3,454	-	0%
Prepaid Expenses & Other Receivable	18,100	13,357	4,740 (2)	35%
Total Assets	\$ 1,362,210	\$ 1,048,422	\$ 313,788	30%
LIABILITIES				
Accounts Payable and Other Liabilities	\$ 80,532	\$ 66,120	\$ 14,412 (3)	22%
Accrued Payroll Payable	-	55	(55)	-100%
Total Liabilities	80,532	66,175	14,357	22%
NET POSITION				
Unrestricted	1,281,678	982,247	299,431	30%
Total Net Position	1,281,678	982,247	299,431	30%
Total Liabilities and Net Position	\$ 1,362,210	\$ 1,048,422	\$ 313,788	30%

- (1) The increase in the money market balance is primarily due to the year to date net revenue generated from the reinstatement of Authority fees.
- (2) Prepayment of registration fees for a conference that was cancelled and postponed to Fall, plus the renewal of a 4-year subscription of Bond Buyer, contributed to the increase in Prepaids.
- (3) The increase in accounts payables is due to higher interagency charges for April through June in the current year, primarily due to higher current year salary and benefits, as well as, lower prior year expense allocation related to rent and building maintenance contract agreement credits.

**Washington Higher Education Facilities Authority**  
**Statement of Activities and Changes in Net Position**  
**Fund: General Operating Fund**  
**Division: All**

**For The Year To Date Ending: June 30, 2020**  
(See Accountant's Compilation Report)

	Current Period	Current Year to Date	Prior Year to Date	Variance	
				Amount	%
<i>Revenues:</i>					
Fee Income	\$ 32,454	\$ 659,815	\$ -	\$ 659,815	(1) NA
Interest Earned	409	19,656	26,739	(7,083)	(2) -26%
<i>Total Unadjusted Revenues</i>	<u>32,863</u>	<u>679,471</u>	<u>26,740</u>	<u>652,731</u>	<u>2441%</u>
<i>Expenses:</i>					
Salaries, Wages, and Employee Benefits	21,991	266,347	247,759	18,588	8%
Travel & Conferences	607	15,481	21,649	(6,168)	(3) -28%
Professional Fees	4,129	53,611	45,403	8,208	(4) 18%
Office Expense	3,326	44,599	42,650	1,949	5%
<i>Total Expenses</i>	<u>30,053</u>	<u>380,038</u>	<u>357,460</u>	<u>22,578</u>	<u>6%</u>
(Deficit) Excess of Revenues over Expenses	<u>2,810</u>	<u>299,433</u>	<u>(330,720)</u>	<u>630,153</u>	<u>-191%</u>
<i>Net Position</i>					
Total net position, beginning of period	1,278,868	982,245	1,312,967	(330,722)	-25%
Current Increase (Decrease) to Net Position	<u>2,810</u>	<u>299,433</u>	<u>(330,720)</u>	<u>630,153</u>	<u>-191%</u>
Total net position, end of year	<u>\$ 1,281,678</u>	<u>\$ 1,281,678</u>	<u>\$ 982,247</u>	<u>\$ 299,431</u>	<u>30%</u>

- (1) The current year fee income includes recognition of amortized Authority fees as well as cost of issuance for four bond issuances. In the prior year, Authority fees were waived and no new bond issuance related fees were received.
- (2) The decrease in interest income is primarily due to a lower market yield in the current period of .37% compared to the same period in the prior year of 2.51%.
- (3) The Spring NAHEFFA conference that was originally scheduled for April was cancelled and postponed to Fall, resulting in lower out of state travel expenses in the current year. The conference in the prior year was held in March.
- (4) The increase in professional fees is due to audit fees from the periodic state audit which is currently in progress, in addition to, fees from additional legal work related to a special project with WSAC (Washington Student Achievement Council).

**Washington Higher Education Facilities Authority**  
**Detailed Statement of Activities**  
**Fund: General Operating Fund**  
**Division: All**  
**For The Year To Date Ending: June 30, 2020**  
(See Accountant's Compilation Report)

	Variance-YTD vs. PY Actuals		Prior YTD	YTD	YTD	Variance-YTD Budget to Actual	
	%	Amount	Actual	Actual	Budget	Amount	%
<i>Revenues:</i>							
Program Fees	NA	\$ 377,090	\$ -	\$ 377,090	\$ 379,079	\$ (1,989)	-0.5%
Issuance & Application Fees	NA	282,725	-	282,725	75,000	207,725	277.0%
Interest Revenue	(0)	(7,083)	26,739	19,656	27,642	(7,986)	-28.9%
<i>Total Unadjusted Revenues</i>	2441.0%	652,732	26,740	679,471	481,721	197,750	41.1%
<i>Expenses:</i>							
Salaries & Wages - Staff & Temp. Svcs	8%	15,219	184,457	199,676	265,890	(66,214)	-25%
Employee Benefits - Staff	5.3%	3,368	63,303	66,671	84,619	(17,948)	-21.2%
Conference, Education & Training	-3.8%	(194)	5,168	4,974	5,800	(826)	-14.2%
Travel out of state - Staff	-33.5%	(4,693)	14,007	9,314	18,750	(9,436)	-50.3%
Travel in state - Staff	-51.8%	(1,281)	2,475	1,194	6,500	(5,306)	-81.6%
Accounting Fees	12.8%	5,075	39,500	44,575	45,000	(425)	-0.9%
Legal Fees	113.8%	4,810	4,226	9,036	7,000	2,036	29.1%
Financial Advisor Fees	-100.0%	(1,678)	1,678	-	2,500	(2,500)	-100.0%
Office Rent/Conf. Room Rentals	3.5%	315	9,024	9,339	13,211	(3,872)	-29.3%
Furniture & Equipment Rental	-19.7%	(214)	1,089	875	1,370	(495)	-36.1%
Publications/ Subscriptions/ Dues	-17.2%	(768)	4,458	3,690	4,965	(1,275)	-25.7%
Deliveries	352.9%	307	87	394	400	(6)	-1.5%
Insurance	-0.1%	(13)	13,317	13,304	13,317	(13)	-0.1%
Meeting Expense	NA	42	-	42	5,150	(5,108)	-99.2%
Equipment & Building Maintenance	-11.7%	(60)	512	452	1,340	(888)	-66.3%
Software Maint. Support & Other Info Svcs	10.9%	937	8,607	9,544	16,415	(6,871)	-41.9%
Postage	20.0%	8	40	48	100	(52)	-52.0%
Printing	37.8%	483	1,279	1,762	2,950	(1,188)	-40.3%
State Services	0.0%	-	25	25	25	-	0.0%
Supplies	60.9%	544	894	1,438	2,533	(1,095)	-43.2%
Telephone	34.6%	569	1,646	2,215	1,844	371	20.1%
Other Office Expenses	18.9%	234	1,238	1,472	2,086	(614)	-29.4%
<i>Total Expenses</i>	6.3%	22,575	357,465	380,040	504,639	(124,599)	-24.7%
<i>(Deficit) Excess of Revenues over Expenses</i>	-190.5%	\$ 630,156	\$ (330,725)	\$ 299,431	\$ (22,918)	\$ 322,349	-1406.5%



TAB 4

## Statement of Account

Washington Higher Education Facility Authority  
Proration of costs between WHEFA and WSHFC  
For the period April 1, 2020 - June 30, 2020

Month	Salaries & Benefits	Office Expenses (1)	Overhead (2)	Total
April	\$ 24,147.06	\$ 2,405.47	\$ 114.32	\$ 26,666.85
May	22,529.20	2,191.89	126.07	24,847.16
June	21,841.64	1,759.02	111.10	23,711.76

Total Per Category	\$ 68,517.90	\$ 6,356.38	\$ 351.49	\$ 75,225.77
--------------------	--------------	-------------	-----------	--------------

Previous Balance at March 30, 2020	71,110.77
------------------------------------	-----------

Payments & Credit Memos (through June 30, 2020)	<u>(71,110.77)</u>
---	--------------------

Total Due to WSHFC:	<u>\$ 75,225.77</u>
---------------------	---------------------

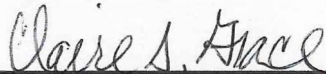
**Please make checks payable to:**

Washington State Housing Finance Commission  
1000 Second Avenue, Suite 2700  
Seattle, Washington 98104-1046

(1) Office Expenses are expenses paid by WSHFC on behalf of WHEFA and allocation of certain HFC expenses based on WHEFA salary hours as a percentage of total HFC salary hours.

(2) Overhead is the allocation of HFC's depreciation expense based on WHEFA salary hours as a percentage of total HFC salary hours.

Approval for Payment



Authority Board Member

TAB 5

## S&P Global Ratings: U.S. Not-for-Profit Higher Education



August 18, 2020

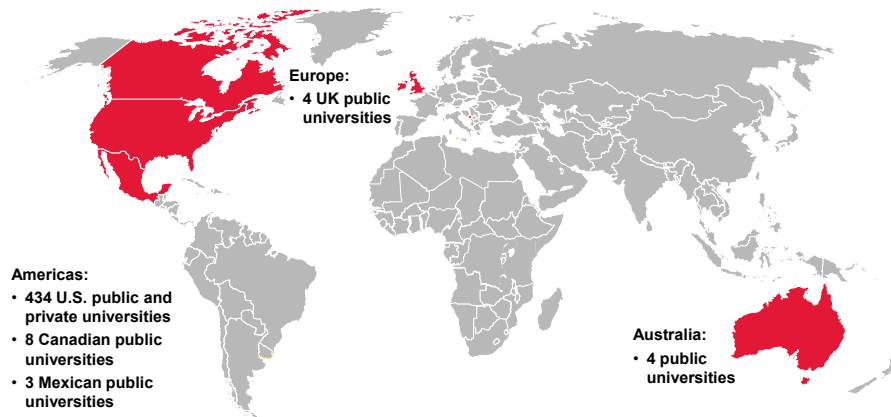
Laura Kuffler-Macdonald  
Senior Director  
Analytical Manager

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1

## S&P's Global Higher Education Ratings Universe



➤ S&P rates over 450 universities globally

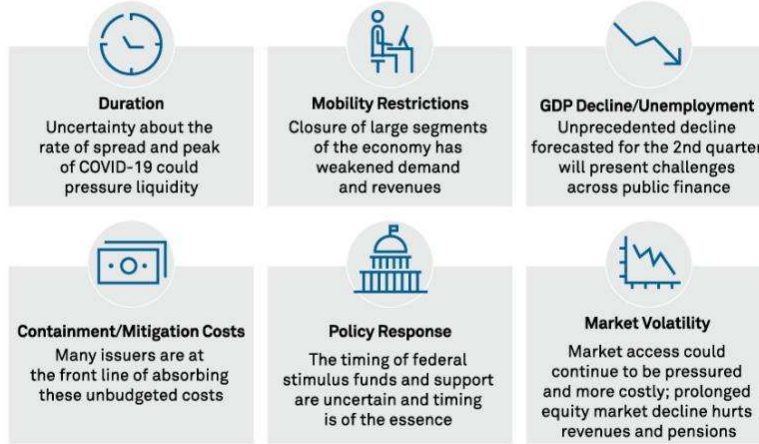
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## All Sector Outlooks Across U.S. Public Finance Turn Negative – Key Macro Factors



Source: S&P Global Ratings.

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## U.S. Higher Education Privatized Student Housing Projects Outlook Revised To Negative

### Key Takeaways

- On March 25, we revised our outlook to negative on all U.S. higher education privatized (off balance sheet, or OBS) student housing project ratings in the wake of the COVID-19 pandemic and the uncertainties surrounding the ultimate economic fallout
- Of the 63 publically rated privatized student housing projects rated by S&P Global, approximately 76% are investment grade while 24% are speculative grade
- The negative outlook on all of these ratings reflects expected challenges facing the industry due to a sudden and potentially prolonged decline in student housing occupancy and associated loss of rental revenue, as most colleges and universities have moved to remote learning and the majority of students have moved out of residence halls
- Net project operating revenues that pressure DSC levels or impede the project's ability to make on-time and in-full debt service payments could lead to a negative rating action. Additionally, lower-than-targeted occupancy in fall 2020 that stresses fiscal 2021 operations and DSC levels could also lead to a lower rating

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## Outlook Revised To Negative On Certain U.S. Not-For-Profit 501(c)3 Organizations

### Key Takeaways

- On April 10, as a result of the COVID-19 outbreak and the economic and financial pressures that have followed, we revised the outlooks of 56 not-for-profit 501(c)3 organizations from stable to negative, and 3 from positive to stable
- Our overall negative outlook on this subsector reflects the pressures on financial operations as a result of facility closures, cancelled performances and events, and uncertainty about the resumption of normal operations
- Lost revenues are a result of canceled performances and events, as well as closures of facilities, with uncertainty around re-opening dates and time it will take for admissions and events revenues to return to pre-COVID-19 levels
- Declining investment performance and endowment market values along with weaker fundraising could negatively affect ratings
- While almost all of our ratings within the subsector are currently investment grade, we believe there will be greater pressure on those organizations with limited revenue and expense flexibility, lack of liquidity or balance sheet cushion, and weak fundraising capabilities

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## Outlooks Revised On Certain U.S. Not-For-Profit Higher Education Institutions

### Key Takeaways

- Revised outlook to negative from stable on approximately 27% of 436 rated higher education institutions (33 of 149 public universities and 83 of 287 private universities)
- 50 public and private universities already carried a negative outlook, and following this outlook revision, 38% of higher education institutions maintain negative outlooks
- Despite federal aid, we still expect to see stressed operating budgets, the scope of which will ultimately be determined by the magnitude of lost revenues, the duration of the pandemic, fall 2020 mode of instruction and ultimate enrollment figures
- U.S. higher education providers are under pressure, and if on-campus classes can't be resumed in fall 2020, potentially under greater pressure
- We will continue to evaluate the remainder of our portfolio as we have more visibility on fiscal 2021 state budgets and fall enrollment

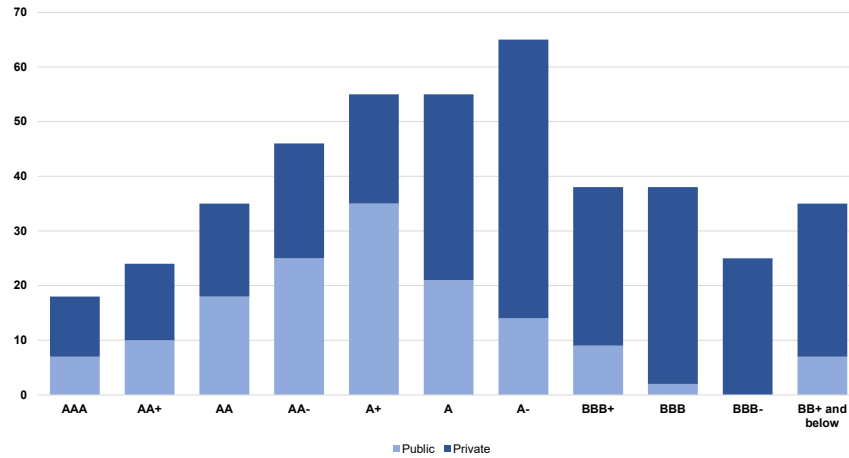
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## U.S. Higher Education Ratings Distribution

As of August 3, 2020



Source: S&P Global Ratings

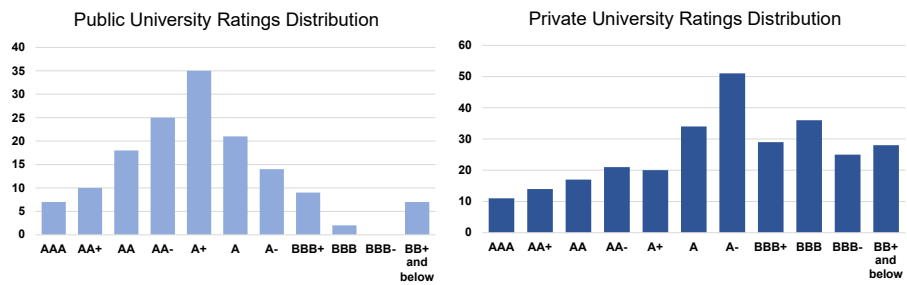
**S&P Global**  
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## U.S. Higher Education Ratings Distribution

As of August 3, 2020



Source: S&P Global Ratings

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## S&P Rated Institutions in Washington

- University of Washington
  - Public university
  - Rated 'AA+/Stable'
- Washington State University
  - Public university
  - Rated 'A+/Stable'
- Pacific Lutheran University
  - Private university
  - Rated 'BB/Negative'
- Seattle Pacific University
  - Private university
  - Rated 'A-/Stable'
- Seattle University
  - Private university
  - Rated 'A/Negative'
- University of Puget Sound
  - Private university
  - Rated 'A+/Stable'
- Fred Hutchinson Cancer Research Center
  - 501c3 organization
  - Rated 'A+/Negative'

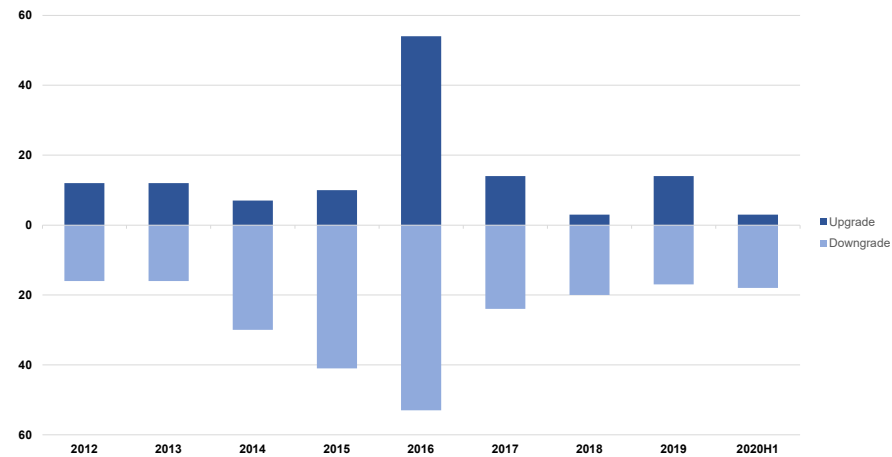
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## U.S. History of Rating Changes

As of June 31, 2020



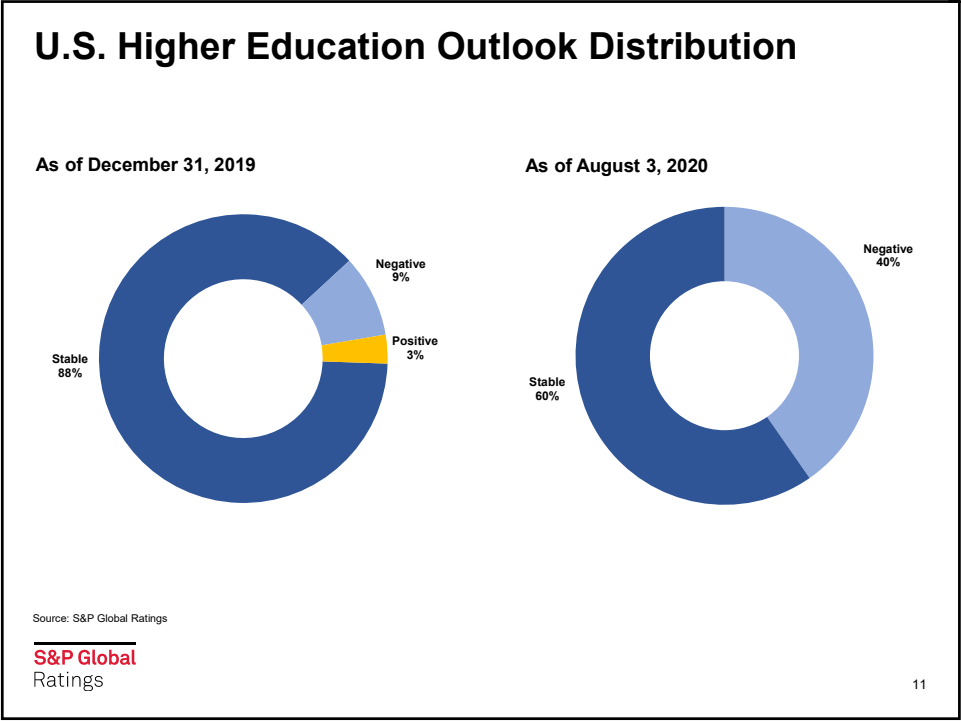
Source: S&P Global Ratings

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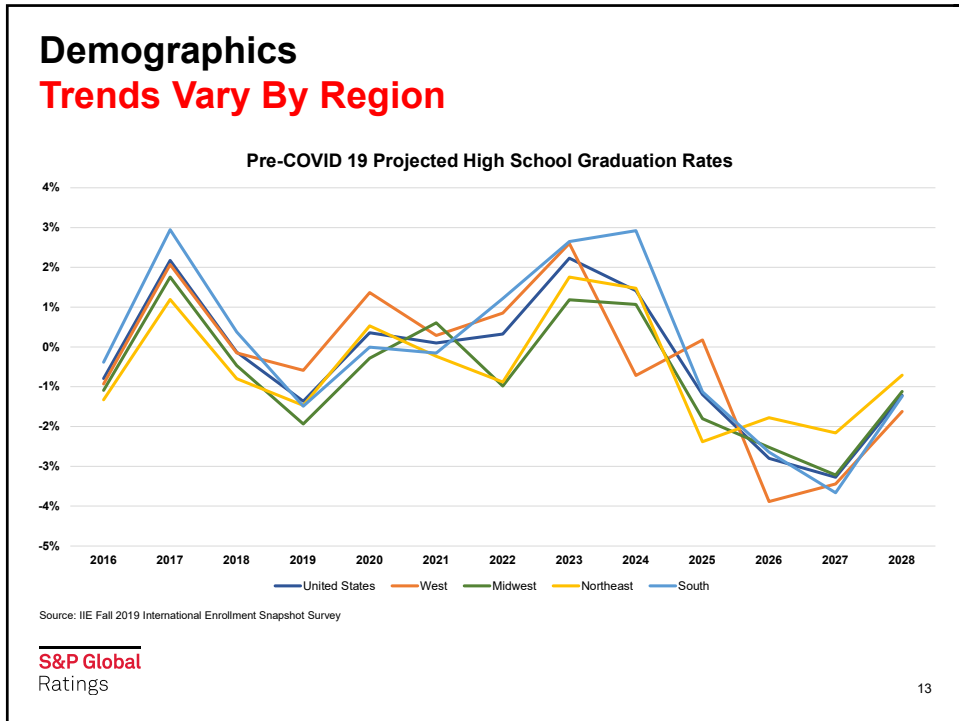




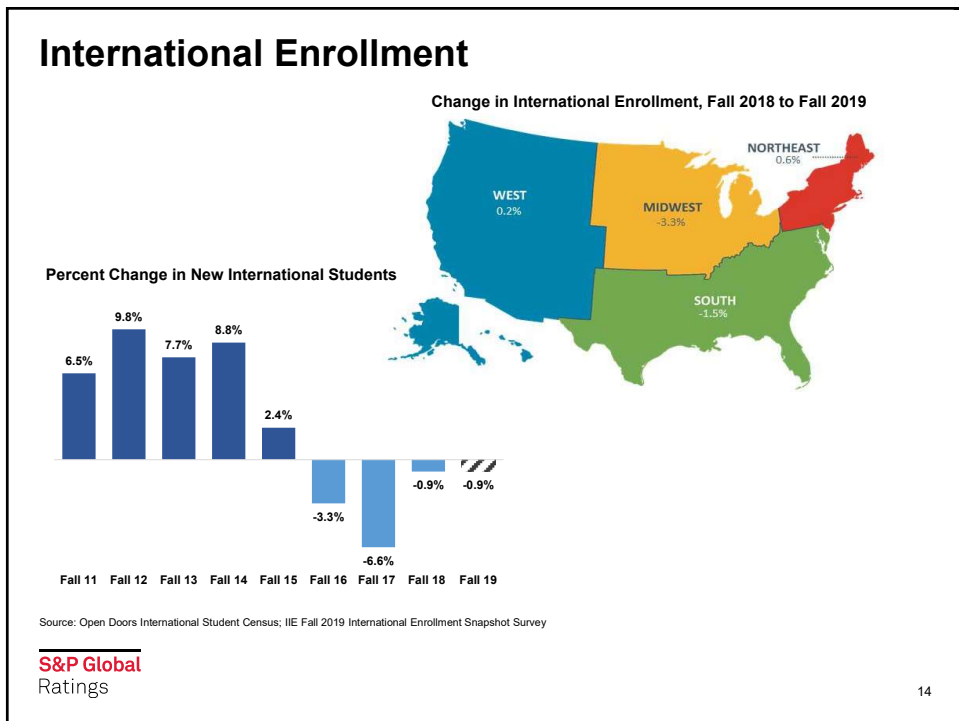
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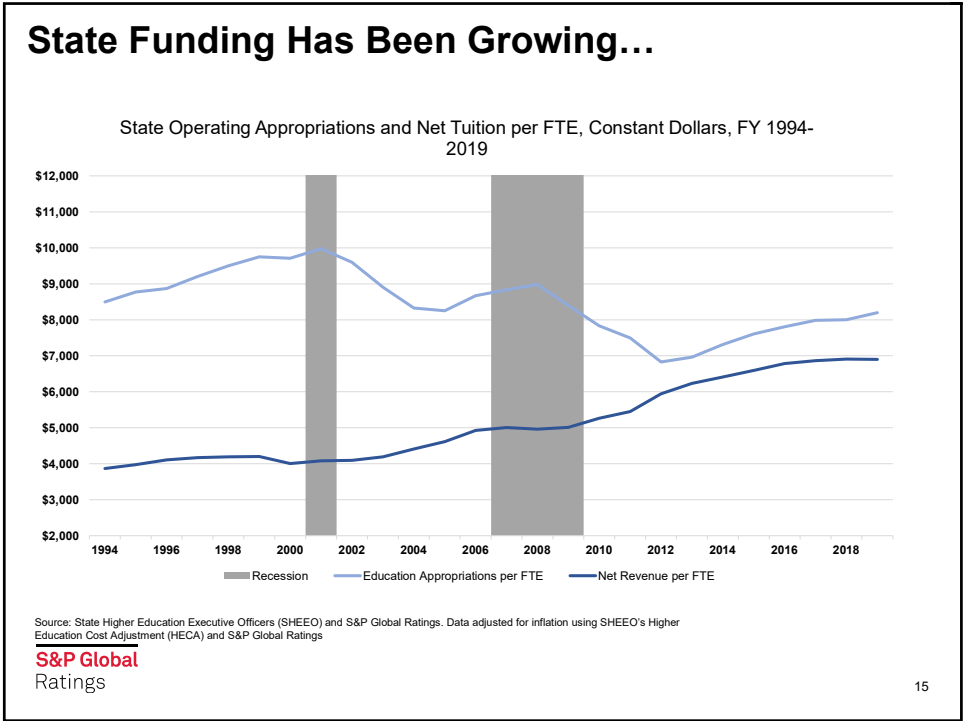
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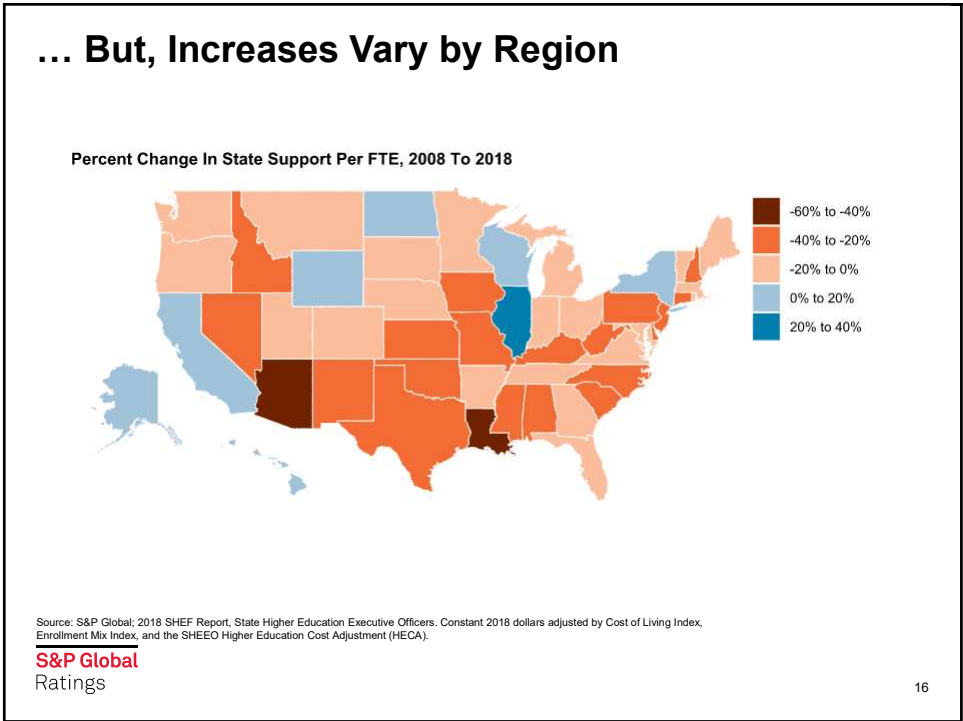
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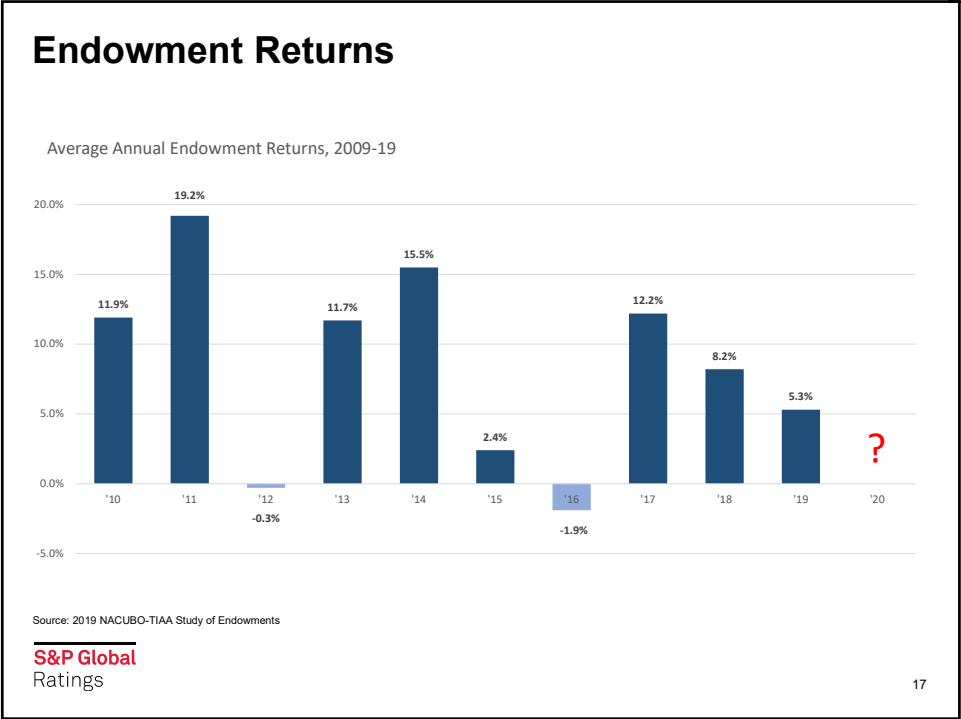
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## Private College and University Sector – 2018 Median Overview

	AAA	AA	A	BBB	SG	Sector
Sample size	11	47	96	81	17	252
Total FTE enrollment	11,275	6,429	3,864	2,700	2,728	3,275
Freshman acceptance rate	7.2%	22.2%	64.8%	71.4%	72.5%	62.4%
Average SAT score	1490	1393	1218	1113	1082	1206
Retention rate	98%	95%	85.9%	78.8%	76%	85%
Six-year graduation rate	94.1%	90.1%	75.5%	60.5%	54%	71.3%
Change in Net Tuition Revenue	2%	4%	1.1%	-0.6%	1.1%	1.1%
Net adjusted operating margin	3.7%	2.3%	1.5%	-0.6%	-2.2%	0.8%
Student-generated revenue	30.9%	58.3%	87.1%	89.4%	85.4%	84.8%
Tuition discount rate	42.7%	37.9%	37.5%	40.8%	41.6%	39.2%
Expendable resources to operations	671.3%	228.6%	96.3%	49.7%	35.2%	83.6%
Expendable resources to debt	723.5%	320.2%	175.7%	89.4%	48.5%	164.6%
Total debt outstanding (000s)	\$2,556,520	\$386,585	\$104,964	\$57,739	\$53,607	\$96,633

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## Public College and University Sector – 2018 Median Overview

	AAA	AA	A	BBB	SG	Sector
Sample size	7	54	73	8	7	149
Total FTE enrollment	57,318	35,846	12,854	4,422	5,777	19,541
Freshman acceptance rate	57.4%	67.8%	74.3%	75.1%	69.4%	71.8%
Average SAT score	1264	1202	1098	982	1109	1147
Retention rate	94.3%	86%	77.3%	68.1%	67.8%	80.6%
Six-year graduation rate	82.7%	67.4%	50%	40.5v	37%	56.3%
Net adjusted operating margin	3.6%	1.5%	-1%	-5.1%	6.5%	0.5%
State appropriations to revenue	15.6%	19.2%	21%	25.8%	48.7%	21.5%
Student-generated revenue	20.7%	39.7%	52.4%	52.5%	33.7%	47.6%
Tuition discount rate	21.2%	26.1%	24.2%	32.3%	30.4%	24.8%
Adjusted UNA to operations	70.5%	35.3%	31.3%	14.5%	15.5%	32.1%
Adjusted UNA to debt	157.8%	97.8%	57.3%	25.4%	76.7%	79.2%
Total debt outstanding (000s)	\$2,003,936	\$828,692	\$169,922	\$51,546	\$86,765	\$322,940

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TAB 6





# Washington Higher Education Facilities Authority

## Market Update

**August 18, 2020**

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PFM Financial  
Advisors LLC

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1200 Fifth Avenue  
Suite 1220  
Seattle, WA 98101

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Thomas Toepfer  
(206) 858-5630



## July Market Recap

- **The US economy shrank by an annualized 32.9% in the second quarter of 2020, compared to forecasts of a 34.1% plunge, the advance estimate showed.** It is the biggest contraction ever, pushing the economy into a recession as the coronavirus pandemic forced many businesses including restaurants, cafes, stores and factories to close and people to stay at home, hurting consumer and business spending.
- **Decreases were seen in personal consumption, exports, private inventory investment, nonresidential fixed investment, residential fixed investment, and state and local government spending while federal government spending jumped.** The recovery will depend on the capacity of the country to control the pandemic and avoid more waves of infections. Still, the number of new cases continues to increase, making several states to scale back or pause the reopening of their economies. **Fed officials see the US economy shrinking 6.5% in 2020.**
- **U.S. labor market falters again, weighing on consumer confidence.** The number of Americans filing for unemployment benefits increased for a second straight week, roughly in line with expectations and after four months of decline. Initial jobless claims rose to 1.434 million in the week ended July 25, up 12,000 from the prior week, and marked the 19th straight week in which initial claims totaled at least 1 million. Meanwhile, Conference Board Consumer Confidence index fell modestly in July, led by deterioration in expectations with present situation showing slight improvements. The Covid-19 pandemic continues to take an unprecedented toll on labor market conditions, employment prospects and confidence.

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Source: Bloomberg, PFM Research



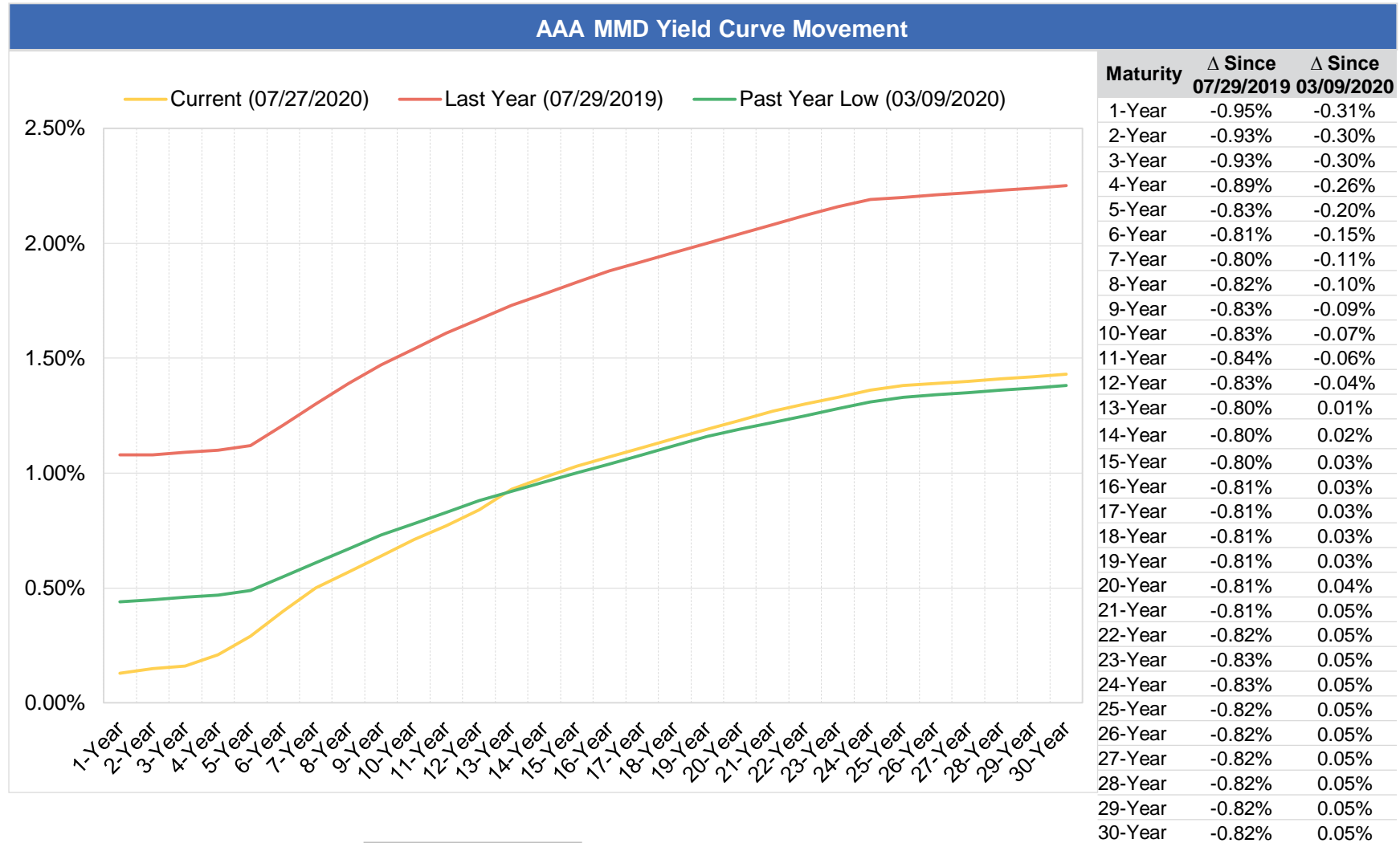
## July Market Recap (cont'd)

- **During their July meeting, FOMC policymakers kept rates in the 0%-0.25%.** The policy committee also held quantitative easing in place, saying as it has previously that it will increase holdings of Treasuries and mortgage-backed securities "at least at the current pace". The committee intends to keep these policy decisions in place until it is confident that the economy has weathered the virus and is on track to achieve the policy goals of maximum employment and stable prices.
- **As the reality of a global economic downturn became more pronounced due the spread of COVID-19, investors sought liquidity and safety, exiting from numerous asset classes, including municipal bonds.** Municipal bond funds experienced significant net outflows since the onset of the COVID-19 crisis, leading to volatility and a disjointed municipal market throughout the month of March. Flow volatility and volume has stabilized beginning in April and through July. **The week ending July 22 saw net inflows into municipal long-term mutual and ETF funds of \$3.622 billion.** **Municipal market bids wanted and secondary trading have returned to more normalized levels after the spike in March and April.**
- **Recently, details of the GOP sponsored Senate economic stimulus proposal, the HEALS Act, were released.** It includes \$29 billion of relief aid for institutions of higher education to offset lost revenue. The final details for allocating these funds or when they would be delivered is not yet known. But it appears that 90% of the funds are allocated based on proportion of Pell-eligible FTE students that were enrolled in-person (not online) prior to the outbreak of the COVID-19 virus.

*Source: Bloomberg, PFM Research*



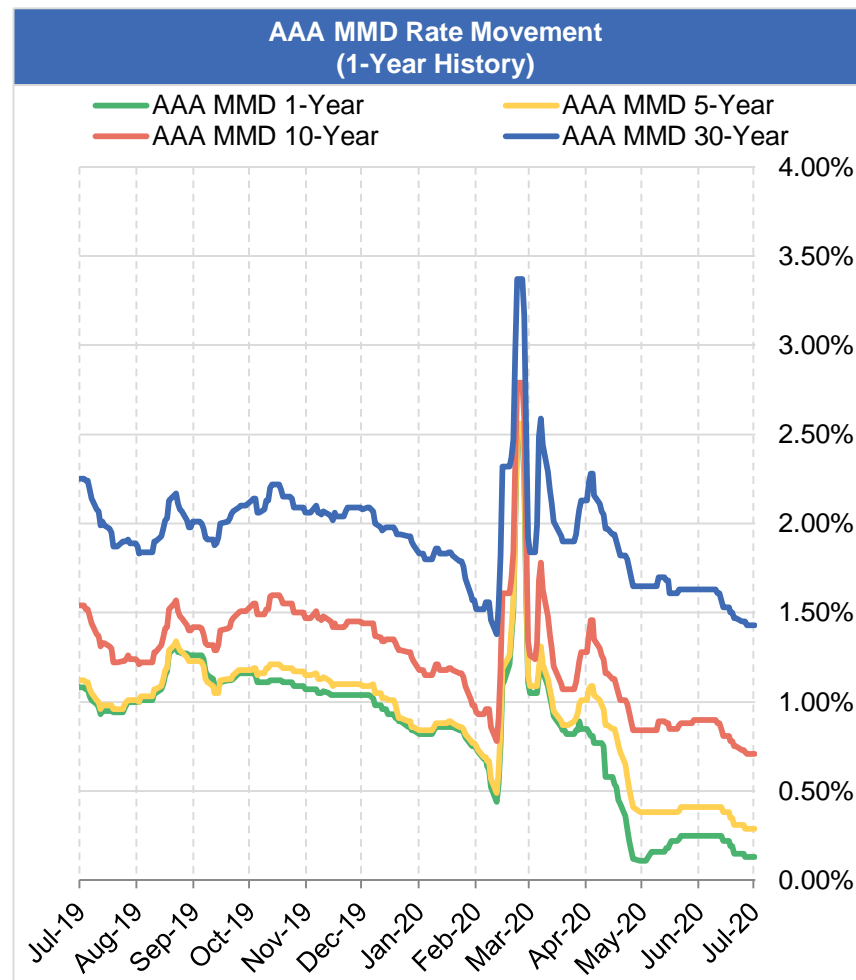
## Recent AAA MMD Yield Curve Movement



Source: Thomson Reuters



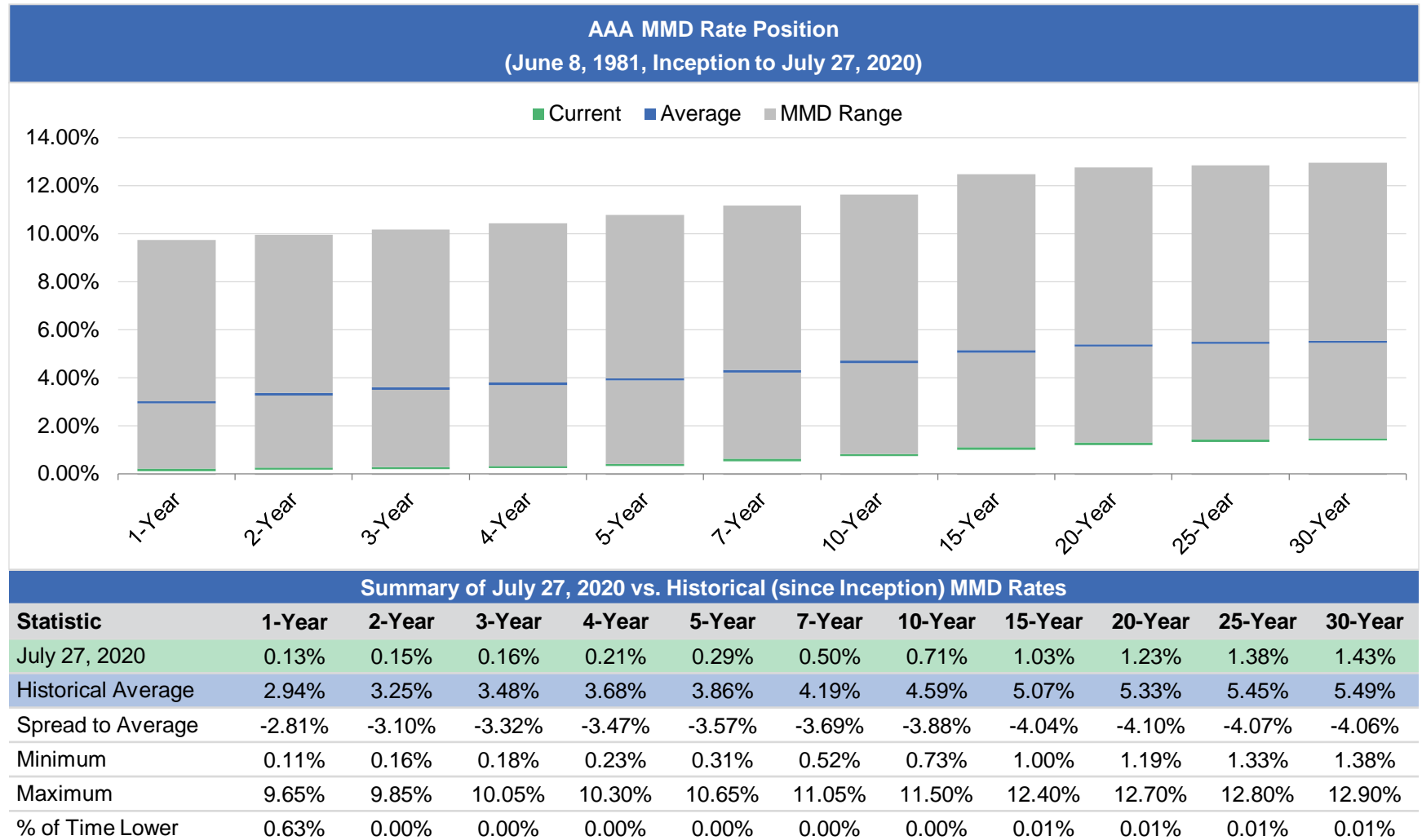
## U.S. Treasury & AAA MMD Rate Movement



Source: Thomson Reuters



## AAA MMD Position Since Inception

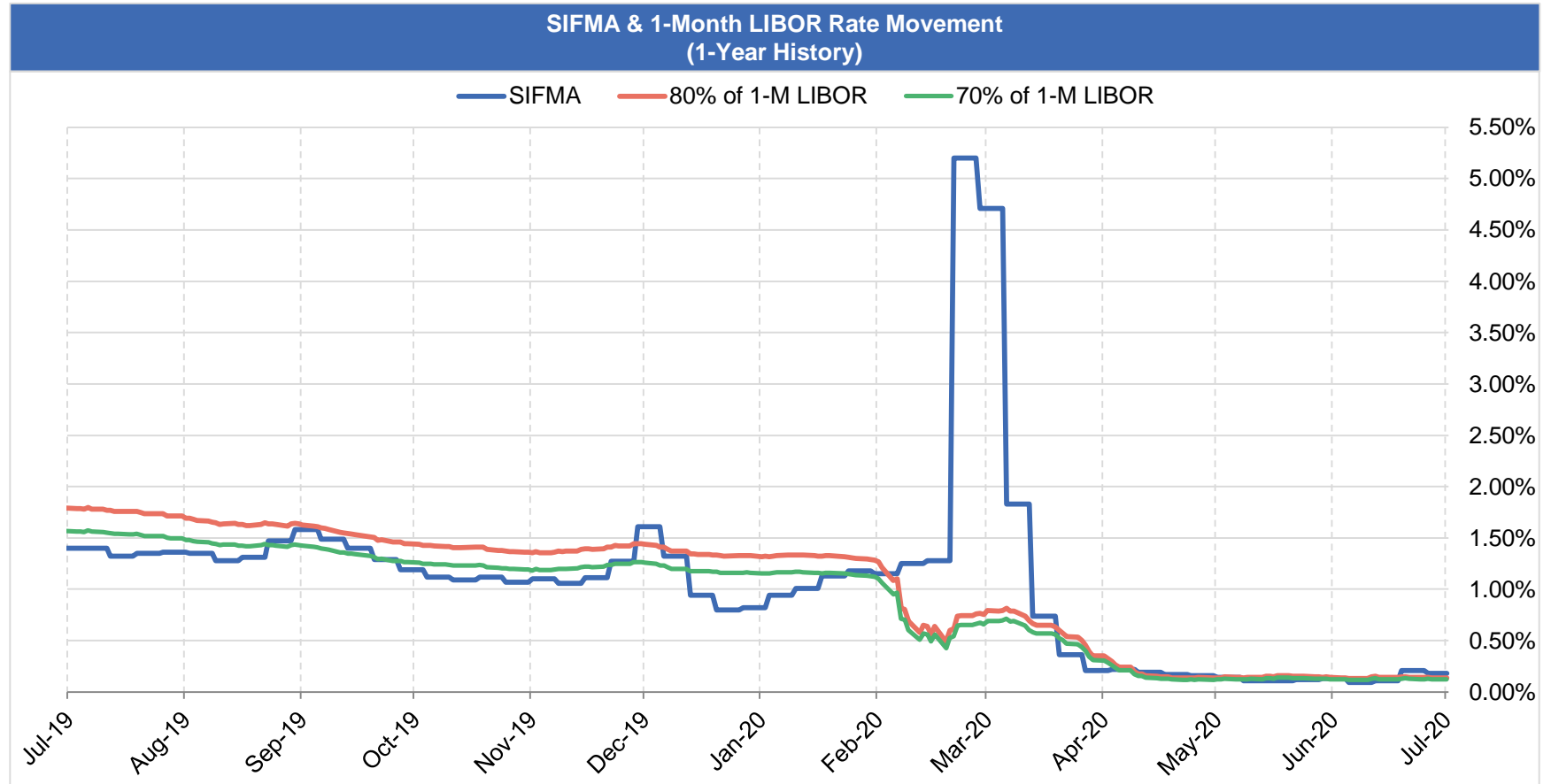


Source: Thomson Reuters



## SIFMA & 1-Month LIBOR Rate Movement

- Following the late-March spike in rates due to the impacts of COVID-19 and subsequent Fed economic relief programs, the SIFMA Index has stabilized. After remaining around the 70% of LIBOR level since early May, SIFMA rose slightly above LIBOR last week.

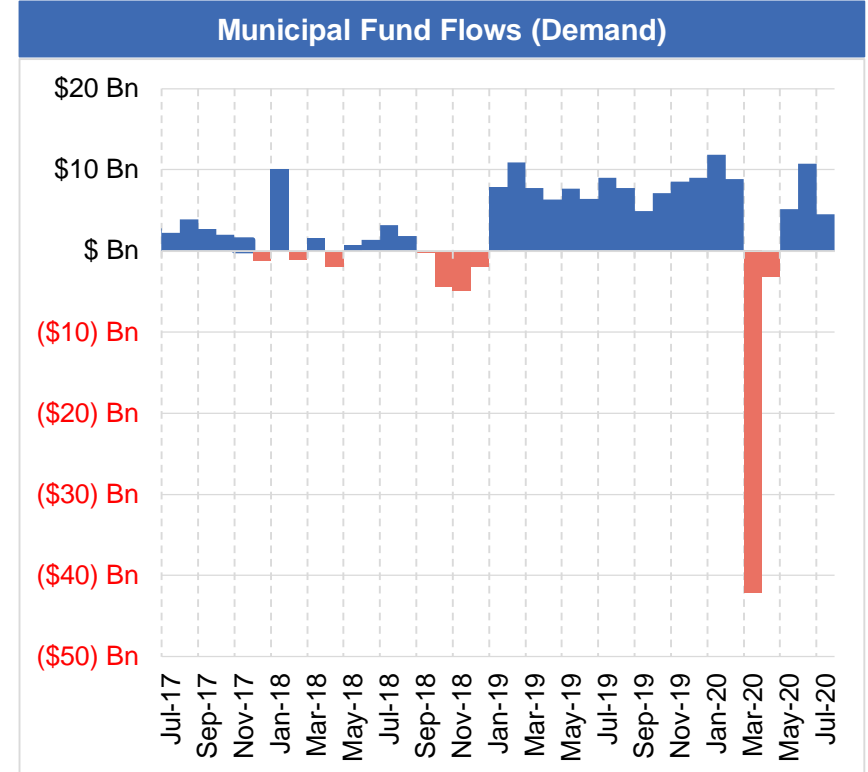
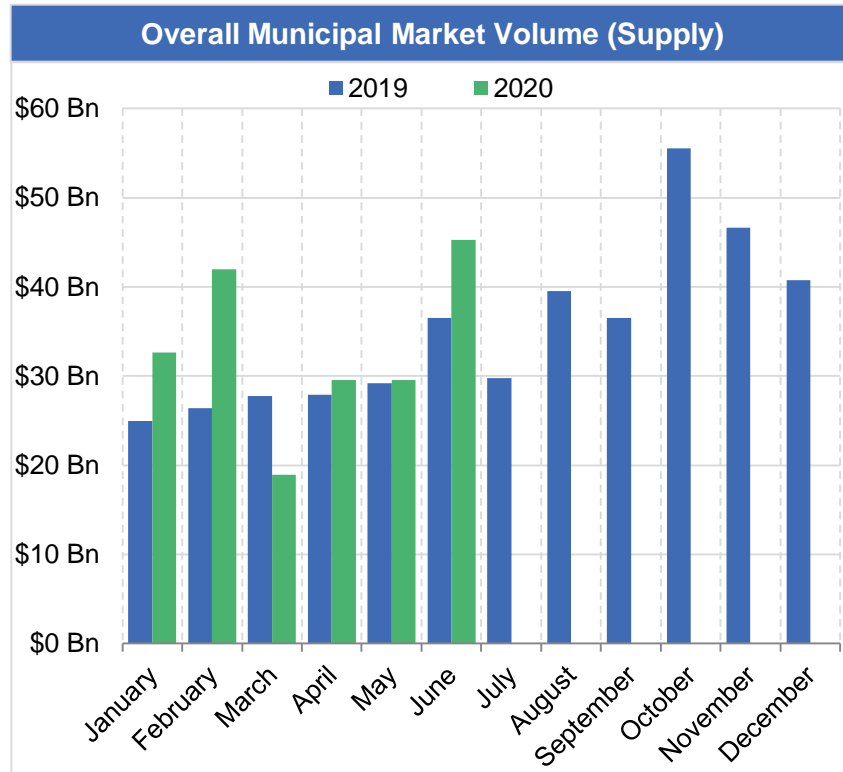


Source: Thomson Reuters



## Municipal Market Supply & Demand

- New issuance volume was up by 24.06% year-over-year in June, while year-to-date new issuance volume was 14.66% higher than 2019 issuance through June.
- Through late July, higher education and non-profit bond issuances was approximately \$37.6 billion, with the majority of \$26.1 billion issued as taxable bonds
  - High-grade AAA and AA-rated bonds made up approximately 86% of the sector's bond issuances, 11% were A-rated bonds, while only about 3% were BBB and lower rated



Source: Bond Buyer, Investment Company Institute



**TAB 7**

**Washington Higher Education Facilities Authority**  
**Bond Issue Status Report**  
**As of June 30, 2020**

	App Rec'd	OID Signed	App Review Complete	Scoping Meeting	Public Hearing	Tax Due Diligence Complete	Doc Review Meetings	Gov's Cert Signed	Borrower Board Approval	Authority Board Approval	Pricing	Pre-Close & Close	Savings	Comments
<b>Potential Bond Issues - Fiscal Year 2019/20</b>														
<b>Seattle University</b>  <b>\$60 Million</b>  <i>New Money</i>  <i>Center for Science &amp; Innovation &amp; other capital projects</i>	4/7/20	4/9/20	4/24/20	3/27/20	5/15/20	Complete	4/17/20 4/24/20 5/12/20	5/26/20	4/30/20	5/8/20	6/11/20	7/1/20 7/2/20	Preliminary Present Value Savings  \$2,606,350	<i>SU Financial Advisor</i>  <i>Wendling UMB Bank</i>
<b>PNWU</b>  <b>\$20,000,000</b>  <i>New Money</i>  <i>80,000 SF Regional Center for Inter-professional Education</i>	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	2021-22  For reporting purposes only	Preliminary Present Value Savings  TBD	<i>Financial Advisor TBD</i>

**Washington Higher Education Facilities Authority**  
**Bond Issue Status Report**  
**As of June 30, 2020**

	App Rec'd	OID Signed	App Review Complete	Scoping Meeting	Public Hearing	Tax Due Diligence Complete	Doc Review Meetings	Gov's Cert Signed	Borrower Board Approval	Authority Board Approval	Pricing	Pre-Close & Close	Savings	Comments
<b>Closed Bond Issues - Fiscal Year 2019/20</b>														
<b>UPS</b>  <b>\$24,280,000</b>  <i>Refunding 2012 B</i>	7/9/19	7/22/19	8/16/19	7/22/19	N/A	9/9/19	8/27/19 9/16/19 9/23/19	N/A	Complete	9/17/19	N/A	9/25/19 10/1/19	Final Present Value Savings  \$1,300,549	<i>No Financial Advisor  Private Placement</i>
<b>Gonzaga University</b>  <b>\$75,000,000</b>  \$44,685,000 <i>New Money</i>  <i>Integrated Science &amp; Engineering facility (ISE) &amp; surrounding projects</i>  \$30,315,000 <i>Refunding</i>  2016B <i>Taxable</i>	8/17/19	8/20/19	8/30/19	8/21/19	8/29/19	9/27/19	8/29/19 9/9/19 9/23/19 10.28/19	9/9/19	Approved	9/17/19	10/1/19	10/31/19 11/1/19	Final Present Value Savings  \$1,473,687	<i>Financial Advisor – Prager  Public Sale</i>

**Washington Higher Education Facilities Authority**  
**Bond Issue Status Report**  
**As of June 30, 2020**

	App Rec'd	OID Signed	App Review Complete	Scoping Meeting	Public Hearing	Tax Due Diligence Complete	Doc Review Meetings	Gov's Cert Signed	Borrower Board Approval	Authority Board Approval	Pricing	Pre-Close & Close	Savings	Comments
<b>Whitworth University</b>  <b>\$19,485,000</b>  <i>New Money</i>  <i>Health Science Building</i>	10/4/19	10/11/19	Complete	10/7/19	11/1/19	Complete	10/25/19 11/4/19 11/8/19	Complete	10/11/19	11/12/19	11/21/19	12/18/19 12/20/19	Final Present Value Savings  \$500,000	Financial Advisor – PFM  Public Sale
<b>Seattle Pacific University</b>  <b>\$77,415,000</b>  <i>New Money – Land &amp; Misc. projects</i>  <i>Refunding existing private placement debt</i>	11/18/19	11/27/19	1/7/20	11/18/19	1/7/20	Complete	12/19/19 1/7/20 1/15/20 1/24/20	1/15/20	11/22/19 12/16/19	1/30/20	2/11/20	2/26/20 3/2/20	Final Present Value Savings  \$1,663,324	Financial Advisor – PFM  Public Sale  Series Tax- exempt \$51,990,000  Series B Taxable \$25,425,000

**FY 19-20 Goal:** Complete two bond issues totaling approximately \$30 million by June 30, 2020.

**Total bonds issued to date:** 4 bond Issues totaling \$196,180,000 with total PV savings of \$4,937,560.

**Washington Higher Education Facilities Authority  
Bond Issue Status Report  
As of August 3, 2020**

	App Rec'd	OID Signed	App Review Complete	Scoping Meeting	Public Hearing	Tax Due Diligence Complete	Doc Review Meetings	Gov's Cert Signed	Borrower Board Approval	Authority Board Approval	Pricing	Pre-Close & Close	Savings	Comments
<b>Potential Bond Issues - Fiscal Year 2020/21</b>														
<b><i>PNWU</i></b> <b><i>\$20,000,000</i></b> <i>New Money</i> <i>80,000 SF</i> <i>Regional</i> <i>Center for</i> <i>Inter-</i> <i>professional</i> <i>Education</i>	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD	2021-22	Preliminary Present Value Savings  TBD	<i>Financial Advisor TBD</i>

**Washington Higher Education Facilities Authority  
Bond Issue Status Report  
As of August 3, 2020**

	App Rec'd	OID Signed	App Review Complete	Scoping Meeting	Public Hearing	Tax Due Diligence Complete	Doc Review Meetings	Gov's Cert Signed	Borrower Board Approval	Authority Board Approval	Pricing	Pre-Close & Close	Savings	Comments
<b>Closed Bond Issues - Fiscal Year 2020/2021</b>														
<b>Seattle University</b>  <b>\$60 Million</b>  <i>New Money</i>  <i>Center for Science &amp; Innovation &amp; other capital projects</i>	4/7/20	4/9/20	4/24/20	3/27/20	5/15/20	Complete	4/17/20 4/24/20 5/12/20	5/26/20	4/30/20	5/8/20	6/11/20	7/1/20 7/2/20	Final Present Value Savings  \$2,315,484	<i>SU Financial Advisor</i>  <i>Wendling UMB Bank</i>

**FY 20-21 Goal:** Complete two bond issues totaling approximately \$60 million by June 30, 2021.

**Total bonds issued to date:** One bond Issue totaling \$60,000,000 with total PV savings of \$2,315,484.

TAB 8



**For Immediate Release – July 16, 2020**

**CONTACTS:**

Margret Graham, Communications Manager  
Washington Higher Education Facilities Authority  
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Seattle University  
Phone (206) 296-6114 – [forbesd@seattleu.edu](mailto:forbesd@seattleu.edu)

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## **Tax-exempt bonds boost Seattle University’s new science center**

**SEATTLE** – The Washington Higher Education Facilities Authority (WHEFA) has issued \$60 million in tax-exempt bonds to help Seattle University complete its new Center for Science and Innovation while saving interest costs.

The bond financing, which closed July 2, is estimated to save the university more than \$2 million in interest over the life of the bond, on a present-value basis. This interest savings is the direct result of using tax-exempt bonds versus borrowing at taxable rates or commercially from a bank or other financial institution.



“This project will be the flagship building on our campus and will support the education of our students and the scholarship of our faculty in the College of Science and Engineering,” said Andrew O’Boyle, Associate VP for Finance and Investments at Seattle University. “WHEFA was a great partner in this process and we are tremendously grateful for their support and expertise.”

The Center for Science and Innovation, with five stories and more than 100,000 square feet, will house the departments of biology, chemistry, and computer science, as well as space for dining, gathering, and learning.

Construction, which began last year and will continue through 2021, includes not only the new building, but also renovations to the existing Bannan Science and Engineering buildings. The new Center for Science and Innovation is expected to open for the start of the fall quarter in 2021.

“This financing will support Seattle University’s vitally important education and training in careers of science, technology, engineering and math, while saving it significant expenses over time,” said Jerome Cohen, secretary and chair of the Washington Higher Education Facilities Authority board of directors.

“We are very pleased and proud to be part of helping the university achieve this mission in higher education.”

##

[Seattle University](#), founded in 1891, is a Jesuit Catholic university located on 50 acres in Seattle’s Capitol Hill neighborhood. More than 7,200 students are enrolled in undergraduate and graduate programs within nine schools and colleges. Seattle University is dedicated to educating the whole person, to professional formation, and to empowering leaders for a just and humane world.

Since 1983, the [Washington Higher Education Facilities Authority](#) has helped the state’s private, nonprofit colleges and universities access over \$2.4 billion in tax-exempt financing for projects such as student housing, academic and administrative buildings, sports and music facilities, and computer systems. WHEFA’s ability to obtain lower interest rates through the sale of tax-exempt bonds has saved Authority borrowers millions of dollars—benefitting thousands of students and families by providing modern, state of the art campus facilities. The Authority receives no regular state funding for its operations and accomplishes its work without taxpayer funding of any kind.





June 11, 2020 (Pricing Date)  
July 2, 2020 (Closing Date)

Mr. Steve Walker, Executive Director  
Mr. Paul Edwards, Deputy Director  
Mr. Robert Cook, Finance Director  
Ms. Carol Johnson, Affiliates Manager  
Washington Higher Education Facilities Authority  
1000 Second Street, Suite 2700  
Seattle, WA 98104-1046

RE: Seattle University – Final Estimate of Tax-Exempt Benefit (Savings) to Issue \$60,000,000  
Revenue Bonds, Series 2020 through the Washington Higher Education Facilities Authority

Dear Authority Staff,

On behalf of the Washington Higher Education Facilities Authority (the “Authority”) and the institutions of higher learning who borrow through the Authority, herein we calculate the estimated interest benefit (savings) resulting from the use of tax-exempt borrowing status of the Authority versus the interest cost for the institution to borrow at taxable rates in the public market or commercially from a bank or other financial institution. The purpose of this analysis is to quantify, demonstrate and document the monetary and economic benefit for Seattle University (the “University”) to borrow on a tax-exempt basis through the Authority.

UMB Financial Services, Inc. (“UMBFSI”) analysis, serving as municipal advisor to the University, is based on the use of final tax-exempt rates as well as current, observable market rates for taxable bonds that have been sold in the market recently and for which the results are reported publicly or in trade publications. More specifically we evaluate the recently priced, comparable bond issues that have similar characteristics to the Series 2020 Revenue Bonds to be issued through the Authority for which an application for assistance has been submitted by the University (the “2020 Bonds”). For this analysis, UMBFSI utilizes certain factors and/or metrics to determine the prospective taxable interest rates to align with the 2020 Bonds. Such factors include, but may not be limited to, the following:

- Borrowing institution characteristics
- Credit rating(s), if any
- Issue size
- Issue term
- Call feature(s)
- Principal amortization footprint
- State from where securities are issued
- Market conditions
- Investor or financial institution sentiment

In addition to comparable primary market offerings, we also evaluate the past and recent performance of the University’s outstanding bonds issued through the Authority, as applicable and relevant. Prior pricing performance for the University (although not exact indicator for current market offering) allows for the indexing of results and provides a basis for historical comparison to current market levels.

With relevant data gathered and analyzed, UMBFSI has input separate interest rate scales and run separate bond cash flows and sources and uses of funds for each scenario, i.e. tax-exempt versus taxable financings. We then compare the cash flows of the two scenarios on (i) a total (gross) cost basis and (ii) a present value basis using a discount factor that represents average of the bond arbitrage yields of the two scenarios.

UMBFSI has calculated the tax-exempt benefit on a **final, estimated basis** assuming market conditions as of **June 11, 2020** (the pricing date of the 2020 Bonds). UMBFSI has calculated the estimated cash flows for each scenario through final maturity of the 2020 Bonds (May 1, 2050) and assume a common par call feature (May 1, 2030). The final par amount of the 2020 Bonds is \$60,000,000, while the estimated par amount for a taxable series is \$63,720,000. For the **2020 Bonds**, our final, estimated analysis demonstrates gross cash flow and present value benefit is as follows:

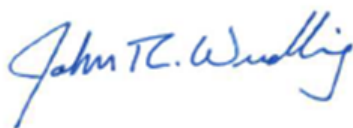
	<b><u>Gross Cash Flow Benefit</u></b>	<b><u>Present Value Savings*</u></b>
<b>Series 2020 Revenue Bonds</b>	<b>\$4,388,455</b>	<b>\$2,315,484</b>

*\*Present value benefit is calculated using a discount factor of 3.55%.*

The analysis represents the benefit based on final tax-exempt and estimated taxable interest rates since the 2020 Bonds achieved final pricing in the primary market on June 11, 2020. On this day, the final bond purchase agreement was fully executed between the Authority, the University and Stifel, Nicolaus & Company (the "Underwriter").

Feel free to reach out to UMBFSI with regard to information provided in this letter at any time. I can be reached at (303) 764-3640 or [john.wendling@umb.com](mailto:john.wendling@umb.com) for comments or questions leading up to and after closing of the 2020 Bonds

Respectfully submitted,



John R. Wendling  
Senior Vice President  
UMB Financial Services, Inc.  
(303) 764-3640 (direct)  
[john.wendling@umb.com](mailto:john.wendling@umb.com)

## **PLU to offer a “PLUS Year” of free tuition to all current students**

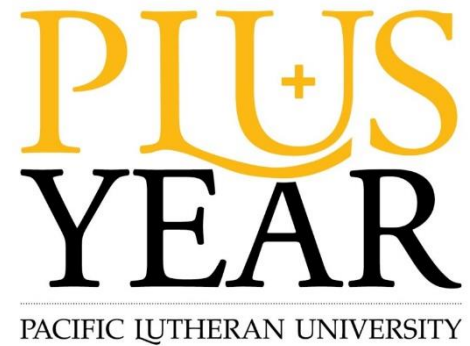


AUGUST 3, 2020

**Earlier today, Pacific Lutheran University announced plans to offer an additional tuition-free year to all undergraduate students enrolled full time for the 20-21 academic year. Dubbed a supplemental “PLUS Year” by the university, the two additional semesters will be offered to students directly after their currently scheduled degree completion date. Graduate students will be offered opportunities for tuition-free continuing education courses.**

The university is planning on offering in-person, online, and blended courses and on-campus housing this fall. As part of extensive safety precautions being taken by the university, hundreds of events and programs including some athletic competitions, music and theatre productions, intramural sports, academic conferences, and many others have been postponed or canceled for the semester.

“We’re working hard to ensure that this semester our students have a positive academic experience. We understand this will not be the college experience they imagined,” said PLU President Allan Belton. “We’re offering this PLUS year to ensure that students still get every opportunity to experience our university at its full, most vibrant capacity.”



All undergraduate students enrolled full-time this academic year, regardless of class standing, will be eligible for the PLUS year. Graduate students enrolled full-time at PLU this fall will be eligible for continuing education credits upon completion of their graduate degree program.

“We expect students to take advantage of their PLUS year in a lot of different ways,” said Belton. “For some, it will mean an extra semester on the field or performing with their music ensemble. Others will take advantage of the opportunity to study away, complete an additional major or minor or engage in additional research with a favorite faculty member.”

“The PLUS Year is deeply consistent with the core elements of Lutheran higher education, offering additional time to learn in community while building skills in thoughtful inquiry and service for the common good,” Belton continued.

Belton said he also hopes that the PLUS year will allow students the flexibility to take a lighter course load during the pandemic and focus on the health and well-being of themselves and those around them.

# THE BOND BUYER

## UMB Financial adds municipal advisory services

By [Keeley Webster](#) July 21, 2020, 2:18 p.m. EDT 2 Min Read

Kansas City, Missouri-based UMB Financial Corp. has launched a municipal advisory business targeting higher education.

The initial thrust will be in the Midwest and West, said Scott Crist, executive vice president of UMB's public finance group.

"The growth of our public finance team has been pretty significant, so growing our MA services is a natural progression," Crist said. "We also have star bankers who have previously worked as MAs for higher ed clients, so this will allow them to continue."

The 107-year-old firm has 50 people in its public finance investment group, and seven bankers, Crist said.

The firm ranks 39th in municipal underwriting year-to-date with a par amount of \$434.5 million in 75 issues, according to Refinitiv.

The focus with the MA business will be on higher education because that is where UMB sees the greatest need right now, Crist said.

Even pre-pandemic, higher ed had been pressured by declining enrollment, but the onset of the coronavirus moved learning online for many colleges and resulted in the loss of activity-based and student housing fees, which has steepened the curve for universities, Crist said.

In June, UMB was municipal advisor on a \$60 million deal for Seattle University issued through the Washington Higher Education Finance Authority.

The effort will be led by Crist and John Wendling, a senior vice president. The firm hired Rick Menchaca and Wendling as senior vice presidents based in Texas and Colorado in 2019.

"With our deep understanding of advisory services for traditional debt offerings and P3, coupled with underwriting and trading capacity and capabilities, the municipal advisory team looks forward to guiding our clients through capital planning and credit processes to secure optimal debt capital," Wendling said in a statement.

president in April, to lead efforts to grow its public finance division in the West, Crist said.

Over the course of a 30-year career, Boyea has specialized in many public finance sectors including higher education, transportation and healthcare, according to UMB. Prior to his role with UMB, Boyea worked for Goldman Sachs, Morgan Stanley, The Williams Group, Boyea Capital Markets and PFM.

UMB is a national investment bank and financial services company that offers personal banking, commercial banking, healthcare services and institutional banking, which includes services to mutual funds and alternative investment companies and registered investment advisors. It operates banking and wealth management centers in Missouri, Illinois, Colorado, Kansas, Oklahoma, Nebraska, Arizona and Texas.

*Markets reporter Aaron Weitzman contributed to this article.*



# Supporting ACCESS



Summer 2020





## NAHEFFA President's Message

by Dennis Reilly, Executive Director  
Wisconsin Health & Educational Facilities Authority

I am honored to have been selected to follow in the footsteps of my six predecessors, most recently Harry Huntley who admirably filled the position of President for the past two years. This time last year, however, I never expected that my first message as NAHEFFA's 7th President would be made at a time when we are all living through such unprecedented circumstances. Needless to say, I do hope that this message finds everyone in the NAHEFFA community safe and healthy. Hopefully in the near future, when we all look back at this significant historical time in our lives, our world will be a safer place in which to live.

Since the unfortunate cancellation of our in-person 2020 Spring Conference due to COVID-19, NAHEFFA has hosted a well-attended advocacy conference call, held the first telephonic NAHEFFA corporate meeting and, under the guidance of Mark Heller, CO, organized the first NAHEFFA webinar. Widely attended, the webinar was a successful initial step into the virtual world for NAHEFFA. I am extremely optimistic on what lies ahead for NAHEFFA.

One big reason for my optimism is the recent hiring of Sherrie Wise as NAHEFFA's Operations Director. We are extremely excited to have her on board. Sherrie has hit the ground running and I have no doubt NAHEFFA will be a stronger organization with her involvement. A special thank you to the SIO Committee chaired by Maribeth Wright, IA for guiding us through the hiring process.

In other news, Corinne Johnson, CO has stepped down as Conference Committee Chair and Kim Mooers, RI has agreed to serve as the new Chair. We are sincerely grateful for the many years Corinne served as our Chair and we are very thankful to Kim for volunteering to fill the vacancy.

As you know, the NAHEFFA Board and Conference Committee made the difficult decision to forgo the in-person 2020 Fall Conference in Milwaukee, WI. In spite of this necessary decision, NAHEFFA remains committed to providing the best educational opportunities available to its Members, and it is incumbent upon all of us to innovate going forward in order to continue to fulfill this commitment. As such, plans are underway to provide educational and networking opportunities by means of a unique virtual experience this fall. Stay tuned for details.

Let us all rally together during this time to make NAHEFFA a stronger, more vibrant organization filled with renewed Member commitment and involvement. I invite each of you to become involved; I promise, you will not regret it!

Have a safe and enjoyable end to summer, and I look forward to seeing everyone virtually later this year.

### In this Issue of Supporting Access

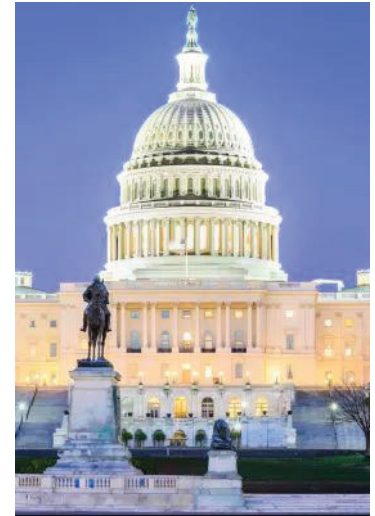
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**Washington, DC Update**  
**Charles A. Samuels**  
**ML Strategies, LLC**  
**Washington Advocate, NAHEFFA**

Due to timing of the federal legislative calendar, it would be premature to provide a report at this time. A full advocacy report will be sent separately to Membership in early August.



# NAHEFFA's Conference is going ***VIRTUAL!***

OCTOBER 2020



During these unusual times, it's important to  
**STAY CONNECTED**  
 WATCH for details and plan to PARTICIPATE  
 in NAHEFFA's FIRST VIRTUAL CONFERENCE

Inspirational Speakers  
 Informative Panels  
 Value Packed Presentations  
**NETWORKING**  
 and  
**FUN!**



# Conduit Revenue Bond Financings for Religious Elementary and Pre-Kindergarten Schools Following the U.S. Supreme Court's Decision in *Espinoza v. Montana Department of Revenue*



by Scott P. Waller – Gilmore & Bell, P.C.  
July 2020

Following the U.S. Supreme Court's June 2020 decision in *Espinoza v. Montana Department of Revenue* and its 2017 decision in *Trinity Lutheran Church of Columbia, Inc. v. Comer*, as further described below, the weight of the U.S. Supreme Court religious freedom decisions provide greater comfort for bond counsel to provide unqualified opinions for conduit revenue bond financings for church-related and other religiously affiliated pre-kindergarten and elementary school financings. Public aid (in the form of serving as the conduit issuer) that is provided to private pre-kindergarten and elementary educational institutions without discriminating on the basis of religious status, as part of a neutral government program, should now survive Federal Constitutional religious freedom challenges. The legally permissible exclusions have been narrowed to uses that are "essentially religious endeavors," such as training for the ministry. A neutral government program should not exclude participants based on whether a certain religious elementary school may be part of a church (as was the school in *Trinity Lutheran*) or may have the significant mission of teaching religious values (as did the elementary school in *Espinoza*).



Bond counsels' prior reservations about conduit financings for elementary schools stemmed from the Supreme Court's 1973 decision in *Hunt v. McNair*. The Court in *Hunt* distinguished its approval of the South Carolina Health Facilities Authority's college financing from church-based elementary schools that had been discussed in the Court's prior Establishment Clause cases. Those prior cases considered whether an elementary school was "pervasively sectarian" for Establishment Clause purposes, with the tenet that government aid to a church-related elementary school was more likely to result in an Establishment Clause violation than aid to colleges because in the elementary school setting the religious mission was more likely to permeate, and religious indoctrination was more likely a substantial purpose, than in the college setting. Importantly for bond counsel, the *Hunt* decision also included a key footnote positing other grounds for upholding the South Carolina funding on the basis that the Authority was a "mere conduit" / "governmental service" with minimal state aid and did not involve the expenditure of public funds.

Over the many decades that have passed since the *Hunt* case, Establishment Clause analysis has shifted away from the "pervasively sectarian" inquiry, to an evaluation of whether government programs are "neutral" in providing their benefits to eligible recipients.

In *Trinity Lutheran*, the U.S. Supreme Court held the exclusion of a church's pre-kindergarten school from receiving a shredded-tire playground grant through a Missouri state program, on the basis of the school's religious status, was unconstitutional under the Free Exercise Clause of the U.S. Constitution. The Court reiterated that denying a generally available benefit

solely on account of religious identity imposes a penalty on the free exercise of religion. The Court distinguished its 2004 holding in *Locke v. Davey* which upheld as constitutional the State of Washington's decision not to fund degrees in devotional theology as part of a scholarship program. The key distinction was that Davey was denied the scholarship because of what he proposed to do (training a minister to lead a congregation being an essentially religious endeavor); not because of who he was. In *Trinity Lutheran*, the school was denied the shredded-tire playground grant because of what it was (a church) even though its intended use of the playground was the same secular purpose as the other applicants.



In *Espinoza*, the Montana Legislature established a tax credit program for those making donations to a scholarship fund under which the scholarships could be used by students for private school tuition. The Montana Department of Revenue promulgated a rule, based on anti-sectarian aid language in the Montana Constitution, that prohibited families from using the scholarships at religious schools. The Supreme Court held the no-aid clause violated the Free Exercise clause of the Federal Constitution. Building upon its decision from *Trinity Lutheran*, the Court provided: "A State need not subsidize private education, but once it decides to do so, it cannot disqualify some private schools solely because they are religious."

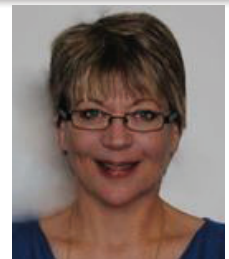
*Trinity Lutheran* and *Espinoza* have shifted the legal inquiry from "Does providing public aid to a religiously affiliated entity violate the Establishment Clause?" and "Is this elementary

school pervasively sectarian?" toward "Would excluding an entity from receiving this public aid solely on religious status violate the Free Exercise Clause?" and "Is the public aid provided as part of a 'neutral government program?'"

The timing of this decision may be helpful as many parents struggle to find the right early childhood development and schooling alternatives for their children and schools scramble to finance the modified facilities, equipment and technology needed to enable children to safely return to school and to best learn remotely when physical return to the classroom is not possible. A local church's school will have available to it the conduit revenue bond financing programs available to other private schools.

*Scott Waller is a shareholder and director of the law firm Gilmore & Bell, P.C. His practice focuses on tax-exempt financing transactions for health and educational institutions and other nonprofits. <https://www.gilmorebell.com/project/scott-p-waller/>. The views expressed in this article are views of Mr. Waller and may not be views of Gilmore & Bell, P.C. generally.*

## NAHEFFA HIRES NEW OPERATIONS DIRECTOR



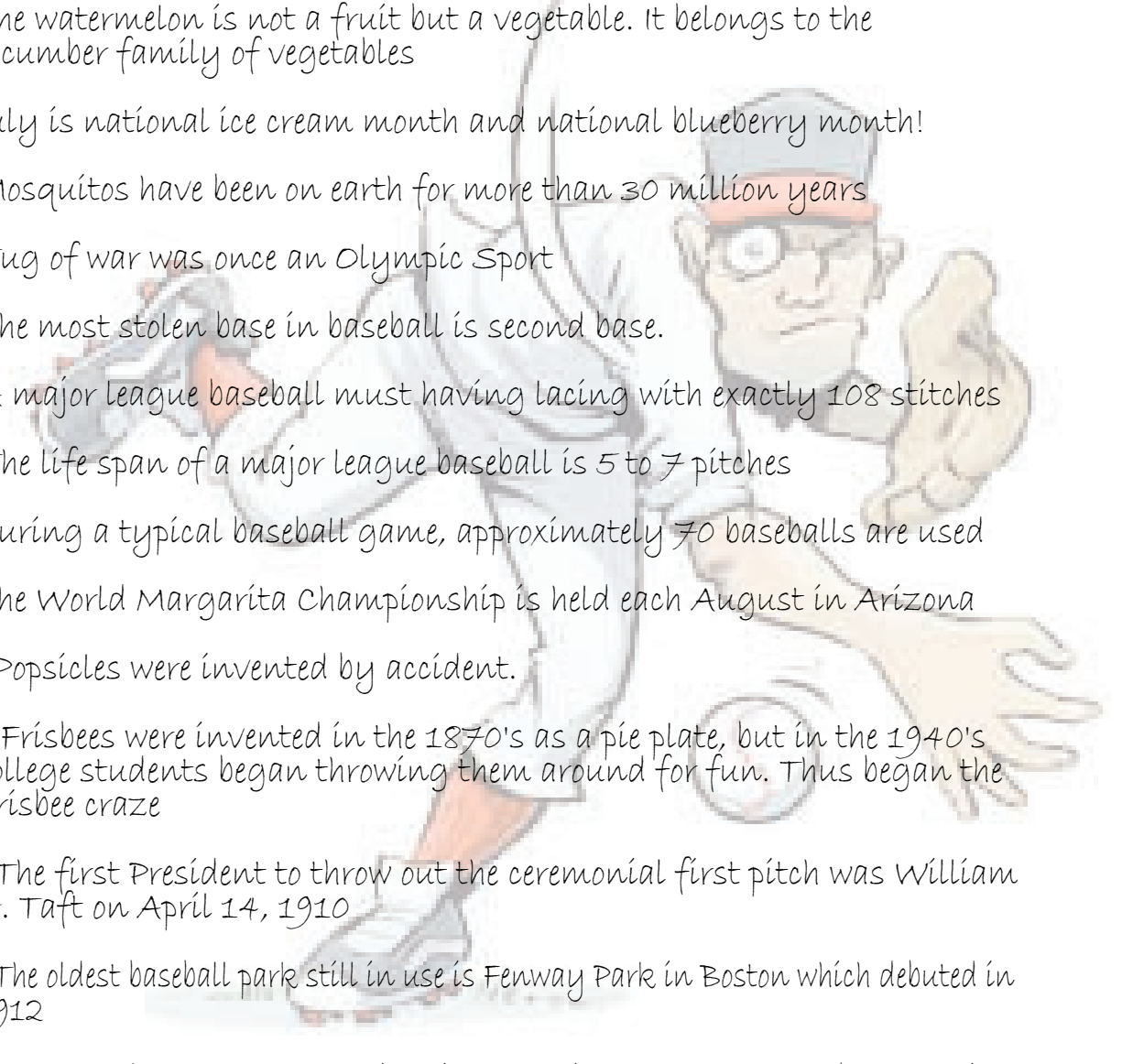
Sherrie Wise joins NAHEFFA with a background in association management, conference planning and execution, and public finance governmental relations.

As Operations Director, Sherrie will coordinate NAHEFFA's conferences and sponsor program; prepare and distribute our communications including newsletters, website updates, surveys and webinars; and maintain Member relations with committee involvement and membership outreach.

Contact Sherrie at [info@naheffa.com](mailto:info@naheffa.com)  
(833) NAHEFFA / (833) 6243332



## Fun Facts about Summer and Baseball

- 
1. The watermelon is not a fruit but a vegetable. It belongs to the cucumber family of vegetables
  2. July is national ice cream month and national blueberry month!
  3. Mosquitos have been on earth for more than 30 million years
  4. Tug of war was once an Olympic Sport
  5. The most stolen base in baseball is second base.
  6. A major league baseball must having lacing with exactly 108 stitches
  7. The life span of a major league baseball is 5 to 7 pitches
  8. During a typical baseball game, approximately 70 baseballs are used
  9. The World Margarita Championship is held each August in Arizona
  10. Popsicles were invented by accident.
  11. Frisbees were invented in the 1870's as a pie plate, but in the 1940's college students began throwing them around for fun. Thus began the Frisbee craze
  12. The first President to throw out the ceremonial first pitch was William H. Taft on April 14, 1910
  13. The oldest baseball park still in use is Fenway Park in Boston which debuted in 1912
  14. The world's longest lazy river is 3/4 mile loop at BSR Cable Park in Waco, Texas
  15. Hot dogs are the most popular food item at baseball games followed by beer and peanuts!

### NAHEFFA Focus

**The Association promotes the common interests of organizations which have the authority to provide capital financing for not-for-profit healthcare and higher education institutions and facilitates national advocacy, support, networking and education on behalf of its members. NAHEFFA focuses its efforts on issues which directly influence the availability of, or access to, tax exempt financing for healthcare and higher educational institutions.**

## Debt Service Deferral and Other Modifications of Tax-Exempt Obligations



The economic impact of COVID-19 has caused financial stress to many 501(c)(3) borrowers of tax-exempt obligations. As a result, some lenders may agree to modify, either on a temporary or permanent basis, certain terms and provisions of outstanding tax-exempt obligations. Examples of such modifications include modification of the interest rate or interest rate formula applicable to such obligations, modification of financial covenant requirements, modification of debt service schedules, temporary deferral of debt service payments, re-amortization of principal payments and establishment of temporary interest-only periods on existing obligations.

It is important to note that any temporary or permanent modification to or with respect to the provisions of an outstanding tax-exempt obligation should be reviewed by bond counsel to determine if such modification results in a “reissuance” of the obligation for federal tax purposes. A “reissuance” would result in the outstanding tax-exempt obligation being deemed refinanced (or refunded) by a new debt instrument for federal tax purposes. In order for a debt instrument that is “reissued” for federal tax purposes as a result of a modification to maintain its tax-exempt status, the borrower, with the assistance of the issuer, must take certain steps in connection with the implementation of the modification, including, without limitation, completion of appropriate tax compliance documentation and obtaining a bond counsel opinion with respect to the modified tax-exempt obligation.

Under certain circumstances, a temporary or permanent modification may not result in a “reissuance” for federal tax purposes if it is determined that the modification is not a “significant modification” within the meaning of the federal tax code. In addition, certain temporary forbearances or deferrals of debt service payments may be determined not to be a “modification” of the instrument for federal tax purposes if the terms of such temporary forbearance or deferral satisfy certain requirements of the federal tax code.

Issuers and borrowers should consult with their bond counsel prior to entering into any agreements to defer or suspend debt service payments or to otherwise temporarily or permanently modify the terms of a tax-exempt obligation. The foregoing is intended as general information and is not intended to be, and should not be construed as, legal advice or a legal opinion.

### Hawkins Delafield & Wood LLP

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## GREETINGS FROM THE NAHEFFA SPONSORSHIP COMMITTEE

The NAHEFFA Sponsorship Committee would like to thank our 2020 Spring sponsors for their support during these unusual times. The continuing support of our sponsors is appreciated and allows us to explore alternative platforms for sharing information among NAHEFFA members until the time we can meet together again.

THANK YOU

**\*INTERESTED IN BECOMING A SPONSOR OF OUR 2020 FALL VIRTUAL CONFERENCE? CONTACT SHERRIE AT [INFO@NAHEFFA.COM](mailto:INFO@NAHEFFA.COM)**



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